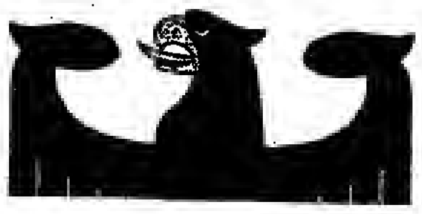

Solidarity

The deal is done on Germany's future

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US monetary policy

What the Democrats think of the Fed

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How committed is Rabin to peace?

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Storm clouds over France

Why cohabitation may not work this time

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FINANCIAL TIMES

Europe's Business Newspaper — MONDAY MARCH 15 1993 — D8523A

General Motors chief shuns post at Volkswagen

General Motors said J Ignacio Lopez de Arriortua, former head of worldwide purchasing at the US carmaker, would not now be leaving the company to join German rival Volkswagen. His move would have been a serious blow to GM, where he had been the key figure in a radical reorganisation of its North American parts buying operation. VW blamed GM for putting pressure on Lopez to stay, saying his contract of employment with VW, which both sides had already signed, would be set aside. Page 15; Lex, Page 14

Bombay exchange reopens: The Bombay stock exchange, badly damaged in the wave of bombings in the city on Friday, is to resume trading today in a bid to restore business confidence. Page 5

UN general stays put: General Philippe Morillon, commander of United Nations troops in Bosnia, set up headquarters in the besieged Moslem town of Srebrenica and said he would not leave until a stranded aid convoy arrived. Page 3

Keating plans reshuffle: Australian Labor prime minister Paul Keating began work on a wide-ranging ministerial reshuffle after winning Saturday's federal election with an overall majority of at least seven seats. Page 14; Australian hero abeds villain image, Page 5; Editorial Comment, Page 13

European monetary system: The French franc continued to trade at the bottom of the European exchange rate mechanism grid despite further easing in Germany's money market interest rates. Apparent policy differences between the Portuguese central bank and the finance ministry triggered Friday's sharp fall in the escudo. Currencies, Page 25; Lex, Page 14

The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

UK tax rise likely: A moderate increase in Britain's tax hurden is expected from chancellor of the exchequer Norman Lamont in tomorrow's hudget. Page 14; Editorial Comment, Page 13

GPA to seek new investors: Aircraft leasing company GPA has been told that its shareholders are unlikely to take more than 60 per cent of the $200m convertible preference share issue necessary for its survival. Page 15; Bluff and counter bluff, Page 16

Pressure for energy tax: The Danish presidency of the EC is seeking support for the controversial energy tax put forward by tbe European Commission last year to combat global warming. Talks nn the tax resume today in Brussels. Page 3

Car sales decline: New car sales in west Europe fell in February by 16.9 per cent to 925,000. The UK bucked the trend with a 16.1 per cent rise in registrations. Page 2

Safety net for French bank: France's main credit institutions are to cover the immediate casb needs of Comptoir des Entrepreneurs, a property bank crippled by bad loans on commercial property, pending agreement on a FFr1bn ($176m) recapitalisation. Page 17

Sotheby's profit tumbles: Pre-tax profits at Sotheby's Hnldings, the auction house controlled by the Taubman family of Detroit, fell from $21.5m to $6.49m in 1992 because of falling auction income. Page 16

IRI strapped for cash: Faced with a worsening financial crisis, principal Italian state holding company IRI is squeezing funds for the second time in five months from Stet, the cash rich subsidiary controlling its telecommunications holdings. Page 17

Owners heads for safety: Phillips and Drew Fund Management, whicb holds 10.8 per cent of UK boliday company Owners Abroad, is believed to have decided not to accept the £294m ($417m) hostile bid from rival Airtours. The move could allow Owners to retain its independence. Page 16

The London stock exchange is close to contracting out its Topic information system, the leading carrier of price information and news for the UK atock market. Page 15

Election apathy in France: A record number of abstentions is likely in France's parliamentary electinns at the snd of the month, the final opinion poll of tbe campaign shows. Page 14

Hardy bequest: St Michael's church, Stinsford, Dorset, immortalised by Thomas Ha-dy in his novel Under the Greenwood Tree, has been left £70,000 in the will of an American professor of English literature.

Austria	Sch30	Greece	Dr300	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft172	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lw25.00	India	Rs40	Neth	Fl 3.75	Slovak Rp	Kcs45
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira25	Spain	Pta200
Czech Rp	Kcs45	Israel	Shk5.30	Norway	NKr18.00	Sweden	SKr15
Denmark	DKr15	Italy	L2700	Oman	OR1.50	Switz	SFr3.20
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Syria	S£50.00
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Thailand	Bht50
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Tunisia	Din1.250
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es215	Turkey	L7000
						UAE	Dh11.00

Jubilant Kohl hails cross-party 'solidarity pact'

By Quentin Peel in Bonn

A BEAMING Chancellor Helmut Kohl, accompanied by opposition leader Mr Björn Engholm and state premiers from east Germany, announced agreement at the weekend on the public financing package to underpin a "solidarity pact" for the east German economy.

The cross-party deal, finalised in 2½ days of almost uninterrupted negotiations, puts into place the last main element in the pact which Mr Kohl has been seeking with the opposition, the 16 federal states, employers and trade unions, since September.

The package of tax increases, spending cuts, and increased subsidies and credit for the east, was welcomed across the political spectrum as a deal which would revive the standing of the leading political parties in Bonn.

There was no immediate reaction from the Bundesbank, which has been watching the negotiations closely as the key to future public spending control.

The German central bank was not prepared to give any indication to financial markets about its future interest rate policy, seeking merely to play down speculation that a solidarity pact would automatically lead to further relaxation.

Mr Theo Waigel, finance minister and principal architect of the package, insisted it would have a positive impact, both on international attitudes to Germany and in giving the Bundesbank more room for manoeuvre.

Mr Waigel spelt out the details on Saturday night, announcing a package which will raise income tax by 7.5 per cent through a reintroduced "solidarity surcharge" from January 1 1995, and raise public borrowing for east Germany by some DM60bn ($36bn).

The increased borrowing consists of DM30bn for the Treuhand privatisation agency, to finance continuing restructuring of unprivatised "core industries" in east Germany, and a further DM30bn to speed up privatisation of state-owned apartments.

In return for a delay in the tax rise, Mr Engholm's Social Democrats have won agreement that no social spending will be cut in a package of DM9.2bn in central government budget savings. They have agreed that a campaign against false social security and unemployment claimants should be launched.

The agreement received a cautious welcome from German industry. Mr Tyll Necker, president of the Federation of German Industry (BDI), said the deal would reassure the business sector that the political establishment was capable of decision-making. However the full solidarity pact required clear wage restraint from the trade unions, to match the readiness of private industry to step up its investment in east Germany.

The deal they were condemned to do, Page 13

Commissioner criticises Kantor withdrawal from procurement talks

Risk grows of EC-US tit-for-tat trade war

By Lionel Barber in Brussels

THE risk of a tit-for-tat transatlantic trade war rose yesterday after senior EC officials warned that tbe Community might retaliate if the US barred European companles from hidding on telecommunication and public procurement contracts.

Sir Leon Brittan, EC commissioner for external economic affairs, called the Clinton administration's unexpected withdrawal from talks on the procurement dispute "a very negative atep" whicb was "surprising and completely unnecessary".

His criticism followed Friday night's decision by Mr Mickey Kantor, tbe US trade representative, to call off talks scheduled to take place in Brussels today, and a clear US threat to impose sanctions later this month.

Sir Leon avoided threats of retaliation, hut otber EC trade officials said Mr Kantor's abrupt move made it difficult to avoid a confrootation on March 22, the deadline which the US has set for tha EC to dismantle allegedly discriminatory procurement rules for water, gas, electrical and telecoms contracts.

Mr Kantor said on Friday that tbe administration would bar European companies from between $40m and $50m of federal contracts if the EC failed to waive Article 29 in the EC utilities directive, which came into force in January offering EC companles an advantage in contract bidding within the Community.

A senior EC official said the scale of US sanctions was minimal in comparison to the multihillion dollar public procurement market, but the timing could not have heen worse, coming near the climax of the French parliamentary election campaign and with the Gatt Uruguay Round trade talks on a knife-edge.

The official warned that the EC might be forced to make a political gesture in response to "blatant political pressure", raising the risk of a tit-for-tat trade war.

The US and EC have been sparring over government procurement rules for months. The US claims that hidding opportunities worth $16.8bn were offered to EC contractors under the Gatt government procurement code in 1990, compared with $7.8bn in EC contracts open to US companies.

The EC agrees that in absolute terms the 1990 Gatt figures confirm that tha US is more generous, hut Brussels officials argue that the value of EC contracts open to US companies rose sharply between 1985 and 1990, while the value of US contracts fell over the same period.

Sir Leon apparently did not

Continued on Page 14

Casualties of the storm: Inhabitants check the damage inflicted in the Chiefland neighhourbood of Gainesville, Fla, after it was hit by a tornado yesterday. The storm, one of the worst experienced this century, ravaged the entire US eastern seaboard and caused 40 deaths

US cities struggle as storm hits hard

By Patrick Harverson in New York

MILLIONS of commuters in cities in the eastern US will be struggling to get to work this morning in tbe wake of a winter storm that left a trail of devastation alnng the Atlantic coast from Florida in tbe soutb to Maine in the north over the weekeod.

The storm, wbich was labelled tbe worst of tbe century, left mnre than 40 people dead, caused widespread flooding in Florida and along the New Jersey and New York coastline, and left millions of homeowners without electricity after high winds had brought down power lines.

Although all the airports in the region had reopened by yesterday afternoon, delays were still expected today because of the backlog of fligbts left over from Saturday morning.

Airports in Atlanta, Washington DC, New York, Boston and other cities were closed because of beavy snow and strong winds, trapping thousands of travellers.

A state of emergency was declared by governors in 12 states, and President Bill Clinton, who monitored the storm's course from the White House, authorised federal emergency aid to parts of Florida, where tornadoes killed 18 people and destroyed scores of buildings.

In many areas the National Guard was hrought in to help rescue penple, renpen roads and evacuate vulnerable seaside communities.

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Russia calls for G7 support to back up Yeltsin reforms

By John Lloyd in Moscow

MR BORIS YELTSIN, the Russian president, retreated to his country dacha yesterday to consider his political future following his bruising battle with the country's supreme parliament, the Congress of People's Deputies.

Government sources yesterday said Mr Yeltsin had little choice but to proceed with a controversial referendum on the country's constitutional future, in face nf congressional opposition.

Many of Mr Yeltsin's radical ministers are in favour of tbe declaration of presidential rule, and the carrying of their campaign to reform the economy to the country. However, the powerful heads of Russia's regional authorities, who would normally organise the holding of a referendum and who have already expressed their opposition to it, are now increasingly sceptical of the president's authority.

Senior US administration officials have suggested that the US would not formally object if Mr Yeltsin resorted to special powers, inclnding the suspension of the parliament, but would draw the line at a military crackdown.

The Congress, led by Mr Yeltsin's rival Mr Ruslan Khasbulatov, ended a stormy session on Saturday aftar voting whicb appeared to give it the upper hand in the struggle with the president over who rules Russia.

On Saturday the Congress adopted a resolution condemning the president for "adventurism" and has asked tbe smaller Snpreme Soviet, tbe atanding parliament, to vote on furtber limits to presidential power, on early electinns, and on parliamentary control of televislon, radio and the main news agency Itar-Tass.

Mr Yeltsin is expected to addresa the country today, altbough tbe main television channel has been on the alert for such a broadcast since last Friday, when he strode out of the Congress after it defeated his request for an April referendum.

Tbe population appears increasingly indifferent to the struggles. A poll on Sunday shnwed that only 34 per cent of those questioned intended to take part in a referendum. Some 70 per cent expressed indifference to both Mr Yeltsin and parliament.

Government aides said the cebinet was ready to press ahead with its economic programme, but needed a strong lead from Mr Yeltsin and the waging of a populist campaign for tbe reforms over the head of tbe parliament.

Russia yesterday urged the Group of Seven industrialised countries to target their aid in sucb a way that Mr Yeltsin's reforms could be seen to be working, said officials close to a G7 "sherpas" meeting in Hong Kong.

G7 officials said Russian deputy prime minister Mr Boris Fyodorov's message was well received by the meeting, which is preparing for the G7 summit in July.

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Battle for reform, Page 28

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Clinton unhappy with other countries' response

Cautious US backing for Yeltsin

By Jurek Martin in Washington

THE Clinton administration has not sought to advise Mr Boris Yeltsin, the Russian president, on how best to handle his current confrontation with the Russian parliament, according to Mr Les Aspin, the US secretary of defence.

Interviewed on television yesterday morning, Mr Aspin reported that Mr Warren Christopher, the secretary of state, had told his opposite number in Moscow, Mr Andrei Kozyrev, on Friday only that the US hoped that whatever course of action Mr Yeltsin chose was "consistent with reform and human rights".

President Bill Clinton himself sent a further signal to other industrialised countries on Saturday that more needs to be done financially and economically to help the cause of economic reform in Russia.

He said other nations with a vital stake in the future of Russia had given him what he called "an inadequate response to date". He added that "a more co-ordinated and aggressive approach" was required but did not indicate whether he thought progress had been made at the meeting of Group of Seven and Russian officials in Hong Kong over the weekend.

Asked if he was putting too much faith in Mr Yeltsin, the president responded: "We will work with what we have to work with, whatever happens. But I think we should support him because he has been elected, after all.

"No-one knows what is going to happen, but the man is an honest democrat, small 'd', and he's passionately committed to reform. I'm going to keep working with him." Mr Clinton and Mr Yeltsin are due to meet in Vancouver on April 3-4.

He sidestepped questions about Mr Yeltsin's possible recourse to emergency powers, including the use of the Russian military, to circumvent the parliament and pursue reform. "I don't think it would serve any useful purpose for me to try and interpret the Russian constitution right now," he said.

Neither Mr Clinton and Mr Aspin minimised the importance of the power struggle in Moscow.

The defence secretary said that arms control agreements, such as Start, co-operation in foreign policy from Bosnia to Iraq, and the proposed reductions in the US defence budget were potentially at risk.

Some senior officials have suggested that the US would not formally object if Mr Yeltsin resorted to special powers, including the suspension of the parliament, but would draw the line at a military crackdown. This seems to be the broad import of Mr Christopher's message to Mr Kozyrev on Friday.

Senator Richard Lugar, the Republican from Indiana, said yesterday that the US could "conceivably" accept the temporary use of military power, but only if it was invoked as an explicit prelude to proper elections in Russia. He thought an early session between the US and Russian finance ministers would be useful.

Senator Bill Bradley, the Democratic from New Jersey, also said it was important for the US to keep open all lines of communication with other centres of power, including the parliament, the army and the Russian Orthodox Church.

Russia and Ukraine fail to agree on Soviet debt

By Chrystia Freeland in Moscow

RUSSIA and Ukraine have failed to reach an agreement on the former Soviet Union's foreign debt. After a meeting led by their prime ministers in Moscow on Friday the two Slav countries appear further apart then ever.

Their failure may jeopardise the recent initiative by G7 leaders to cobble together an aid package to bolster Russian President Boris Yeltsin's beleaguered government.

However, Ukrainian officials claimed a breakthrough on energy prices and supply, saying that, for the first time, Russia had agreed "in principle" to take into account transit fees for goods imported and exported through Ukraine.

However, the meeting between the two prime ministers, promoted as the forum at which the escalating economic conflict between the neighbours would be resolved, did not produce a single specific agreement and was overshadowed by the power struggle being waged a few blocks away in the Russian parliament.

Mr Alexander Shokhin, the Russian deputy prime minister, said he would seek a return to a temporary accord according to which Russia would assume the management of the foreign debt but a final resolution of the division of the debts and assets would be postponed.

● BAT Industries, the leading British tobacco company, yesterday acquired a majority stake in Ukraine's largest tobacco factories.

The Prylucky tobacco factory, 125km east of Kiev, produces nearly a fifth of Ukraine's total cigarette output and is one of the most coveted prizes in the fierce battle between western tobacco companies for a share in the Ukrainian cigarette industry.

BAT will control 65 per cent of the new A/T BAT- Prylucky Tobacco Company, and the management and workers of the Prylucky plant will initially hold 35 per cent. This is part of a wider trend in the industry to compensate for declining smoking in the west.

W Europe car sales decline sharply

By Kevin Done, Motor Industry Correspondent

NEW car sales in west Europe plunged in February by 16.9 per cent, as demand dropped steeply for the second month in succession.

According to industry estimates, new car sales fell in February to 925,000 from 1.1m a year earlier, led by sharp falls in four of the five leading volume markets.

For the first two months of the year new car sales in west Europe have fallen by around 20.6 per cent to 1.88m.

In Germany, the single biggest market in Europe, sales fell in February by an estimated 22.7 per cent to 245,000, compounding the 27.5 per cent decline suffered in January.

New car sales in Italy fell in February by 13.9 per cent year-on-year, while new car registrations in France dropped by 21.5 per cent, and sales in Spain fell by 33 per cent.

The UK, slowly emerging from over three years of recession, has become one of the few markets in Europe to show growth, with a 16.1 per cent rise in registrations in February.

UK sales have been higher than a year earlier in five of the last six months, and have risen by 11 per cent year-on-year in the first two months of 1993, albeit from a depressed level.

Overall, new car sales both in February and in the first two months of 1993 have been lower than a year ago in 14 of 17 markets across west Europe with higher sales only in the UK, Ireland and Norway.

Losses are mounting at several car makers in Europe, as plants are forced on to short-time working and thousands of jobs are eliminated.

Five of the big six volume carmakers in Europe, the Volkswagen group, General Motors, PSA Peugeot-Citroën, Ford and Renault, have suffered a drop in sales of more than a fifth in the first two months of the year.

European motor industry leaders are forecasting a decline in west European new car sales for the full year of 9-15 per cent, after four years in which demand has held steady at close to 13.5m.

In the first two months of the year only Rover, the vehicle subsidiary of British Aerospace, has achieved a small increase in new registrations, supported by its still heavy dependence on its domestic UK market.

Among the leading volume carmakers the Fiat group of Italy, which includes Lancia and Alfa Romeo, has gained ground in market share and has moved into second place, helped by the more moderate fall in demand in Italy than in Germany, France and Spain.

Japanese carmakers' sales in west Europe in the first two months fell by an estimated 16.8 per cent.

WEST EUROPEAN NEW CAR REGISTRATIONS
January-February 1993

	Volume (Units)	Volume Change(%)	Share (%) Jan-Feb 93	Share (%) Jan-Feb 92
TOTAL MARKET	1,883,000	−20.6	100.0	100.0
MANUFACTURERS:				
Volkswagen* (Incl. Audi,SEAT&Skoda)	313,000	−21.0	16.6	15.7
Fiat (Incl.Lancia, Alfa Romeo,Ferrari Innocenti,Maserati)	248,000	−14.8	13.2	12.2
General Motors (Opel/Vauxhall, US# & Saab)	230,000	−23.4	12.2	12.7
− Opel/Vauxhall	221,000	−23.3	11.8	12.2
− Saab**	8,000	−28.3	0.3	0.4
Peugeot (Incl. Citroen)	229,000	−22.6	12.2	12.5
Ford (Europe, US# & Jaguar)	221,000	−20.1	11.7	11.7
− Ford Europe	219,000	−20.2	11.8	11.6
− Jaguar	2,000	−1.3	0.1	0.1
Renault††	197,000	−22.0	10.4	10.6
Nissan	64,000	−15.4	3.4	3.2
BMW	62,000	−19.3	3.3	3.2
Rover†	53,000	+1.8	2.8	2.2
Mercedes-Benz	52,000	−32.0	2.8	3.3
Toyota	49,000	−5.3	2.8	2.2
Mazda	31,000	−29.8	1.8	1.8
Volvo††	26,000	−30.4	1.4	1.6
Honda†	21,000	−25.1	1.1	1.2
Mitsubishi	19,000	−20.8	1.0	1.0
Total Japanese	218,000	−16.8	11.8	11.0
MARKETS:				
Germany	483,000	−25.1	25.7	27.2
Italy	395,000	−13.9	21.0	19.4
United Kingdom	292,000	+11.0	15.5	11.1
France	239,000	−29.7	12.7	14.3
Spain	99,000	−42.7	5.2	7.3

#Cars imported from US and sold in western Europe.
*VW holds 31 per cent and management control of Skoda.
**GM holds 50 per cent and management control of Saab Automobile.
†Honda holds a 20 per cent stake in Rover vehicle operations.
††Renault and Volvo are linked through minority cross-shareholdings.
Source: Industry estimates

Lorries by a British motorway: so far, no agreement on road charging

Germany stems the flow of traffic

By Richard Tomkins, Transport Correspondent

AN Italian lorry driver sets off from Milan with a truckload of white goods and delivers them three days later in Edinburgh. Faced with the prospect of driving an empty truck back to the Continent, he would jump at the chance to pick up a load of whisky and deliver it to London on his way. But single market or no single market, he cannot do so under EC rules – unless, that is, he has the necessary permit.

The free movement of goods and services, one of the basic preconditions of the single European market, has a hollow ring about it when it comes to road haulage in the Community. Three months into the new era of supposedly unrestricted trade, hauliers still cannot ply for hire within other countries' borders except under a quota system.

The harmful effects of this lack of accord spread far beyond the haulage industry itself. Up to 20 per cent of lorry mileage in the EC is estimated to be empty running. If more efficient use were made of the vehicle fleet, transport costs would fall and the problems of congestion and pollution could be sharply reduced.

As it is, long-running negotiations over liberalising the haulage regime have become bogged down in an argument between member states over road charges: an argument that will continue today as EC transport ministers meet in an attempt to reach a solution.

Taken by itself, the issue of cabotage – EC jargon for the right to ply for hire in another's territory – might not have proved particularly controversial. Although some member states were concerned about the possible impact on their domestic haulage industries, all would probably have agreed on a gradual transition to a liberalised regime.

Progress was blocked, however, when Germany linked the issue to a much wider debate about whether member states should be allowed to charge other countries' lorries for the use of their roads.

Germany's complaint was that its geographical position at tha heart of the EC meant it was bearing by far the heaviest burden of international road traffic. As a result, it needed to invest large sums in roads.

German lorry owners were already contributing towards the cost through heavy annual road taxes, it pointed out. In contrast, vehicles from other countries were not only getting free access to Germany's roads, but in most cases paying much lower annual rosd taxes in their own countries too.

The solution Germany proposed was to require all lorries using its motorways, whether German or international, to pay an annual fee of up to DM9,000 (£3,800) for a licence or *vignette* to be displayed in their windscreens. At the same time the road tax on German lorries would be reduced.

The proposal caused uproar in the EC and was ruled unlawful in 1990 by the European Court on the grounds that it would be discriminatory. But Germany continues to insist that there can be no deal on cabotage without an agreement on road charging, too.

At first sight, the row over the scheme may appear inexplicable: tolls, after all, are already found on many EC motorways and bridges. But the difference between these and the German road charges is that existing tolls were introduced to pay for specific pieces of infrastructure. The German charges, in contrast, were seen as a general tax.

Conceivably, the German plan would have attracted less opprobrium had it not been linked to reductions in the annual road tax for German lorries. But with other countries also looking for new sources of revenue to meet the rising costs of providing transport infrastructure, road charging has now turned into a significant issue in its own right.

Germany apart, several countries – France, Spain, Italy and Britain, for example – favour road charging under certain conditions. The UK suggests charges should bear some direct relationship to infrastructure costs, that they should apply only to trunk roads and motorways, and that they should not be imposed at frontiers.Some of the smaller member atates, however, are deeply suspicious of the idea on any terms. Among them are countries like Ireland that are dependent on transit through a neighbouring country for access to the rest of the Community. Others say if every country adopted the German schame, the consequences could be farcical: drivers crossing the EC would need so many *vignettes* they would be unable to see through their windscreens.

The smaller member states want to see a uniform system under which everyone needing access to other EC countries' roads would pay the same annual fee, and the money collected would be distributed to EC countries according to how much international traffic they carried. That plan, however, runs into two obstacles: it would look like the imposition of a common tax at EC level, and the allocation of the funds would cause perpetual rows.

Where the debate will end, nobody knows. Ultimately, the ideal would be for lorries to be charged according to whose roads they used, not according to the country they were registered in. But the technology needed to achieve that goal is complex – and the politics, more complex still.

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Danes launch drive to back energy tax

By David Gardner in Brussels

THE Danish presidency of the EC is launching an effort to mobilise support for the controversial energy tax put forward by the European Commission last year to combat global warming.

As talks on the tax resume today at an EC finance ministers' meeting in Brussels, Denmark is expected to announce it has scheduled an extraordinary "jumbo" council of environment and energy ministers of the 12, on April 23 in Luxembourg.

The tax plan, part of a package to meet EC commitments to stabilise carbon dioxide emissions at 1990 levels by 2000, has been sidelined since Brussels adopted it last May, and has been made conditional on the US and Japan taking analogous measures. The conditionality is to safeguard European industrial competitivity.

The new push comes in the wake of President Bill Clinton's plans to introduce a fuel tax in the US, and growing evidence that the EC cannot meet its emissions targets through more conventional measures.

Before Washington's move last month, Mr Ioannis Paleokrassas, EC environment commissioner, warned that, while Brussels remained committed to the energy tax, its emissions strategy could take a long time to emerge from the EC legislative pipeline.

Since then, the commissioner has been co-operating closely with the Danish presidency and, according to his officials, is now "talking up" the possibilities of achieving a package including the tax.

If approved by the 12, the tax would start at $3 a barrel of oil equivalent, rising to $10 a barrel by 2000. The mixed levy would fall half on the fuel content of all non-renewable energy and half on its carbon content.

It would be offset by tax reductions in other areas, such as social security and corporate tax payments, which its advocates believe could help job-creation.

Spain, however, remains strongly opposed to the tax, arguing that the richer countries which emit most carbon dioxide, and have most resources to spend on energy-saving and clean technology, should be set higher reduction targets.

The Commission is looking at ways to rebalance the tax to shift more of the burden from power generation – the costliest element for the poorer member states – to transport. But the senior Commission official warned, "you would never get agreement on target-sharing" as demanded by Madrid.

Recent Commission studies on emissions, revealing that the most optimistic forecasts of emissions by the 12 show that the EC would fall far short of its stabilisation target, have added urgency to the debate. While the tax plan has been blocked, other EC-wide measures to save energy, fund research into renewable energy and promote clean technology have also fallen behind, and national forecasts are thin on detail about how even the fall-short targets are to be met.

Gulf oil ministers warn of economic retaliation

By Mark Nicholson in Cairo

GULF OIL ministers yesterday expressed angry opposition to proposed energy taxes in Europe and the US, with some threatening economic retaliation if the west proceeds with such levies.

Mr Ali al-Baghli, Kuwaiti oil minister, said Gulf oil producers should raise taxes on imports from the west if energy taxes are introduced.

Mr Youssef Shirawi, his Bahraini counterpart, said Gulf states should retaliate by cutting oil exports and curbing planned increases in production capacity.

The remarks followed a weekend meeting of Gulf Co-operation Council oil ministers in Jeddah, after which ministers issued a statement opposing any rise in taxes on oil by consumer countries. The communiqué asserted the GCC's "determination" to safeguard "the continuation of the flow of their exports without obstacles or restrictions."

The GCC states – Saudi Arabia, United Arab Emirates, Kuwait, Oman, Bahrain and Qatar – control almost half of global oil reserves.

All but Oman and Bahrain are members of the Organisation of Petroleum-Exporting Countries, which has led a concerted campaign against energy taxes being contemplated by the European Community and the US.

However, oil industry executives in the Gulf were highly sceptical that the GCC statement would move far beyond rhetoric. "Gulf producers have already invested too much money in increasing oil output for threats of cuts to be taken seriously," said one.

Several pointed out that the Gulf states rely too heavily on the west for military protection to wish seriously to jeopardise relations in a row over oil taxes.

Furthermore, it has long been the strategy of Saudi Arabia, the dominant GCC country and the world's biggest oil exporter, to safeguard the long-term security of oil supplies to the west, and thus the market for its main export.

"Any action to oppose energy taxes is likely to be played out through Opec," said one Gulf oil executive. "We all know how successful Opec is at agreeing things."

However, oil executives added that the Jeddah statement indicated the high anger among Gulf producers over the proposed taxes, and that they would continue to lobby hard against the proposals.

Israeli government tightens security after many attacks

By Judy Maltz in Jerusalem

THE ISRAELI cabinet yesterday announced measures aimed at tightening internal security, following a spate of attacks against civilians and soldiers in the past week.

The cabinet convened for its weekly meeting as public anxiety over security was further exacerbated by the police chief's call on all citizens licensed to carry weapons to do so at all times. Some 230,000 Israeli citizens, including most Jewish male adults in the occupied territories, have licences.

Mr Yacov Terner, police chief, made his unprecedented call after a Jewish woman had been hacked to death with an axe in the Gaza Strip and the body of an Israeli soldier, shot dead, was found outside Jerusalem on Friday.

The police chief came under criticism at the cabinet meeting by ministers who said his call to carry arms had provoked hysteria.

To bolster security, the cabinet announced it would increase the number of policemen stationed around the country by 2,000, bolster the civil guard and provide incentives to Israeli employers to hire Jewish rather than Palestinian workers.

The recent spate of attacks against Israeli citizens began after a month-long hiatus following the expulsion of 415 Palestinians on December 17.

Mr Micha Harish, industry and trade minister, said the defence establishment had been ordered "to take all legal measures to strengthen the war against terrorism".

On the stump in France for the Socialists

David Buchan finds voters in Normandy griping about the EC

UNDER normal circumstances, Mr Pascal Lamy, head of Mr Jacques Delors's private office, would have been in Hong Kong this weekend, scaling the heights of international diplomacy. As the European Commission president's "sherpa", he would have been helping to prepare for the Group of Seven's June summit in Tokyo.

Instead, Mr Lamy was in deepest Normandy, campaigning as the Socialist party candidate in the Eure department's fifth electoral district, but virtually certain to taste defeat in the elections for the French National Assembly next Sunday and on March 28.

Why is he making his first bid for election when the prospects for the Socialists are so bad? "Precisely because times are so terrible for the Socialists," says Mr Lamy. When the incumbent Socialist deputy decided not to run, Mr Lamy, who has family roots in the region, was asked to take his place. His quixotic gesture will earn him credit in whatever is left of the Socialist party.

But the candidate readily acknowledges his obvious handicaps. After eight years in Brussels, he is regarded as the outsider Eurocrat running against local politicians.

All Socialist candidates have an uphill struggle in this election, but Mr Lamy is also a natural target for complaints about the European Community in general and of the reform of its Common Agriculture Policy (CAP) in particular, in this half-rural constituency which voted 56 per cent against the Maastricht treaty in a referendum in September.

Mr Jean-Claude Asphe, hardline Gaullist RPR mayor of Vernon and expected to win the parliamentary seat, makes the most of this: "We need a quick revision of the CAP reform to be able to present a very tough position in the Gatt [farm trade] negotiations with the Americans. These negotiations cannot be left to EC officials, but to elected politicians."

On Friday, Mr Edouard Balladur, the opposition's favourite candidate to be France's next prime minister, arrived in Vernon to rub in the point in: "We cannot accept the CAP reform; we cannot accept the set-aside of so much land from production. France is the world's number two agricultural exporter, and there are not so many strong points in our economy that we can afford to ignore any of them."

The RPR leader goes on to demand "re-nationalisation of part of the CAP, so that all is not decided far from us [in Brussels]."

For a French leader to urge even a partial break-up of the CAP strikes Mr Lamy as nonsense: "I can imagine John Major [UK prime minister] calling for this but not Mr Balladur, because France has been a major beneficiary of the CAP." However, he supports Mr Balladur's call for French farmers to get more compensation for price cuts and set-aside requirements.

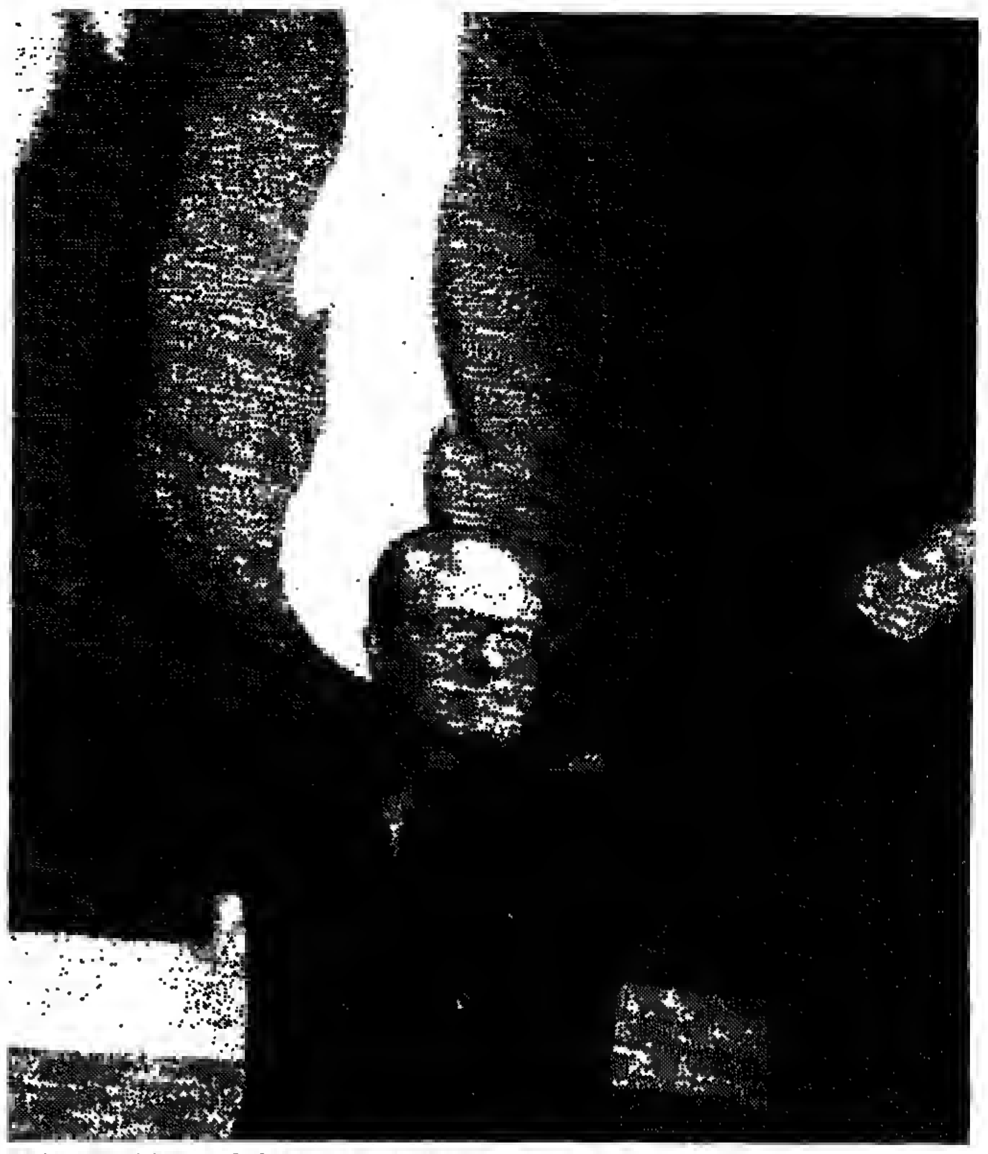
"There are technical flaws which need correcting," Mr Lamy says, because the yield of farmers of the Eure, and therefore their claim to compensation for not producing, has been under-estimated by Brussels. In more general terms, Mr Lamy detects a pronounced swing towards protectionism in France. "France has never had a tradition of economic openness," he points out in a living-room meeting with Socialist activists at Les Andelys. Protectionism in France is "like a rheumatic ache – it always gets worse in bad weather", like the country's current recession.

Like most other Socialist candidates, Mr Lamy prefers to find such domestic remedies as work-sharing to reduce France's jobless total, near 3m.

The conservative opposition still has to overcome serious internal divisions if it is to agree on a more aggressive external policy in government. The rift over Maastricht is as evident as ever inside the RPR.

Mr Asphe, among the 70 per cent of the party's rank and file which voted against the treaty, says he is still dead against this form of European union. Yet it was Mr Balladur, as finance minister in 1987, who first proposed a European central bank.

At Vernon on Friday, Mr Balladur smoothly proclaimed there was party consensus that "France should co-operate very closely with its partners, but remain master of its destiny." Whether such words can continue to paper over the RPR's cracks may soon be tested in government.



FRONTING THE FRONT: leader Jean-Marie Le Pen salutes his NF faithful

UN commander digs in at Bosnian siege town

GENERAL Philippe Morillon, commander of United Nations troops in Bosnia, has vowed to stay in the besieged Moslem town of Srebrenica until a stranded aid convoy arrives, reports Reuter from Sarajevo.

He has set up headquarters in the eastern Bosnia town, which has been under Serb siege for 11 months, said Mr Laurens Jolles of the UN High Commissioner for Refugees, who left Srebrenica yesterday.

The UN aid convoy that had set out for Srebrenica yesterday was turned back by Serb police backed by an armoured car.

UN officials said that the convoy, carrying 125 tonnes of aid, travelled only 12 miles before being forced back.

Some 60,000 people in Srebrenica have received no aid by road since December, but the US Air Force dropped supplies by parachute into the area on Saturday night. Thousands of refugees rushed to the hills when they spotted aid palettes brought by parachute and several were reported to have been killed in the scramble for food.

Mr Jolles said that thousands of ragged refugees were crowding the streets of the town because there was no housing: "There are streams of people coming in. At night, you can see thousands of small fires in the streets with people sitting around them."

Gen Morillon went to Srebrenica with a small team after a World Health Organisation doctor had reported that sick and wounded people there were dying at the rate of 30 a day.

Dr Simon Mardel, described yesterday how Moslems in the area were dying in large numbers from starvation or wounds from Serb artillery bombardments.

He told a news conference in the Croatian capital Zagreb that the torment and carnage he had witnessed in Srebrenica and nearby Konjevic Polje surpassed his experiences in Ethiopia, Liberia or Afghanistan.

Gen Morillon yesterday told the French TF1 television channel that the arrival of the convoy was "a matter of life or death". He urged the US to concentrate its aid effort on Srebrenica.

- In Sarajevo, the Moslem leaders assembled to discuss a peace plan for the former Yugoslav republic drawn up by international mediators Mr Cyrus Vance and Lord Owen.

About 200 people – including members of the Bosnian presidency, parliament, government and military, together with leading intellectuals and clerics – attended the meeting.

Meanwhile, there were indications that the Bosnian Serb delgation might be late in arriving in New York.

Salvador defence minister bows to US pressure

By Damian Fraser in Mexico City

EL SALVADOR'S defence minister has offered to resign, after the US threatened to withhold military aid unless he and other blacklisted officers were removed in 15 days.

The offer by Mr Emilio Ponce, described by El Salvador's vice-president as a "patriotic and positiva gesture", came as the United Nations prepared to publish today a long-awaited report on human rights atrocities in the 1980s. The report is expected to name high-ranking military officers, politicians, businessmen and some guerrillas as responsible for war crimes and human rights abuses.

President Alfredo Cristiani, under pressure from the army and his right-wing party, has struggled to block the publication of the report, arguing that this would further inflame tensions and damage the process of national reconciliation.

Mr Ponce was one of more than 100 military officers who had to be purged under the UN peace accords signed last year, but Mr Cristiani refused to sack him and 14 other senior officers. The pressure from the US to remove offending officers is the first sign of its flexing its muscles in Central America.

After announcing his offer, Mr Ponce published a Defence Ministry analysis of the dangers facing El Salvador: "Communism has not disappeared. In El Salvador, its immediate objective is the destruction of the armed forces to consummate its assault on power."

Harsh criticism follows Patten's move on democratic reform in Hong Kong

Beijing accuses Britain of 'colonialism'

By Tony Walker in Beijing

CHINA yesterday bitterly attacked Hong Kong Governor Chris Patten's decision to proceed with democratic reform, accusing Britain of returning to a colonialist path.

The harsh criticism seems certain to be reflected in remarks made at the National People's Congress by, among others, Premier Li Peng, who is due to address the opening session of the parliament today.

Using language reminiscent of some of the worst moments in the sometimes turbulent Sino-British relationship, People's Daily, the Communist party newspaper, accused Mr Patten of undermining the Beijing-London accord on Hong Kong's future.

"This is another serious step taken by Patten to break the Sino-British joint declaration," the paper charged. "We feel shock and regret at such an act. Through these disputes, more people will see the old-brand colonialists in their true colours."

British officials in Beijing say they cannot predict where the Hong Kong issue may go from here, although they note that the media attacks conspicuously have not ruled out a continuation of diplomatic contacts.

Hopes were raised earlier this month that the delicate "talks about talks" involving Britain's ambassador in Beijing and Chinese officials would lead to a resumption of direct discussions on the democratic reform. But these contacts foundered when China adamantly refused to accept the participation of Hong Kong representatives as equal partners in any talks.

The latest Chinese blast seems certain further to rock Hong Kong capital markets. The Hang Seng stock market index fell more than 3 per cent on Friday after Mr Patten announced that he was proceeding with his controversial legislation under which the people of Hong Kong would elect more than half their legislators at a poll due in 1995.

China insists that Mr Patten's plan runs counter to understandings reached with London on the transition to Chinese rule in 1997. Officials in Beijing argue that broad-based elections favoured by Mr Patten would undermine an agreed *status quo*.

In Hong Kong, the community appears split between reformers urging Mr Patten to proceed with his legislation, gazetted on Friday in preparation for its introduction to the Legislative Council, and an increasingly nervous business community.

The People's Daily editorial mirrors a Chinese Foreign Ministry statement which also expressed "shock" at Mr Patten's announcement.

Mr Patten defended his decision on Friday to go ahead with the legislation, saying that he was sticking to his principles. "Nobody should think that being accommodating, being conciliatory, is the same as abandoning your principles," he said.

However, he left open the possibility of further discussions with China.

Congress looks to Deng's reformist legacy

China's rubber-stamp parliament is meeting at a significant time, writes Tony Walker

WHEN delegates of the rubber-stamp Chinese parliament convene today, the event will be of more than its usual significance. It may well be their last chance further to strengthen legislative support for the reformist legacy of maximum leader Deng Xiaoping.

About 3,000 delegates to the National People's Congress, theoretically representing a quarter of mankind, will be asked to endorse a revised constitution to enshrine economic reforms and to approve personnel changes designed to ensure that Mr Deng's work will be carried on after his death.

As China prepares for transition – Mr Deng is 88 and has aged noticeably in the past year – formal events like the Congress assume special importance; they provide an opportunity for the dominant faction to strengthen its grip through new appointments and constitutional reform.

Congresses run for five-year terms, meeting annually. The timing of this eighth Congress, marking a new cycle, is perhaps fortuitous. It coincides with accelerated efforts to prepare for an orderly passage to a post-Deng regime, although personal ambition and ideological differences make the likelihood of such a smooth transfer problematical.

Much emphasis in these next two weeks will be given to strengthening the underpinnings for the collective leadership to rule after Mr Deng goes to "meet Karl Marx", words he sometimes uses to refer euphemistically to his death.

Thus, the consensus figure of Mr Jiang Zemin, party boss, is expected to assume the dual role of president, or head of state: Mr Li Peng, the premier, who is identified with the conservative faction, will be "elected" to a second five-year term; reformist economic tsar Mr Zhu Ronji, heir apparent to the premiership, is tipped to be designated "senior", or executive, vice-premier, to distinguish him from the other four vice-premiers.

In this leadership soup, Mr Deng and his supporters no doubt hope that a reasonable balance will have been achieved between various trends, ranging from the cautious Mr Li to the adventurous Mr Zhu.

Mr Jiang, referred to in the official press as the "core" leader, is expected to mediate between competing trends, a role Mr Deng, with his immense authority, has been performing since his re-emergence from political disgrace in the late 1970s.

It is a moot point whether the 67-year-old Mr Jiang, who has no reputation for banging heads together, is capable of mediating effectively. But his elevation to the presidency is obviously designed to increase his authority and reflects concerns about the fairly urgent need to find someone capable of settling disputes among squabbling officials in the post-Deng period.

The promotion of Mr Jiang, to go with the general secretaryship of the Communist party, marks something of a step away from an earlier commitment to separate, where possible, functions of party and state. In fact, this Congress will be marked by a strengthening of the party's hand in state business, a sign that it is determined to retain both symbolic and actual control in a period of accelerated economic reform.

The other main task of the Congress, apart from endorsing revised economic growth targets for the coming year, is to approve a re-drafted constitution (a fifth version in China's post-1949 history) to incorporate China's commitment to a "socialist market economy", or, in Mr Deng's words, "socialism with Chinese characteristics". Both these phrases appear in the draft and reflect key resolutions adopted by the 14th Communist party Congress last October, which gave the party's somewhat belated formal blessing to the move away from rigid central economic control that had been under way for some years.

The importance attached to the market, as opposed to planning, in the new draft is indicative of the revolution that has taken place in Chinese thinking. Thus, simple new wording – "[China] practises socialist market economy" – has been substituted for the previous (1982) version, which relegated the role of the market to one quite subsidiary to "economic planning".

Much attention will probably focus on Premier Li's "work report", which will effectively be China's policy blueprint for the coming year. Mr Li has made no secret of his worries about recent high rates of economic growth of more than 12 per cent last year leading to overheating.

The Chinese-language press in Hong Kong has suggested that Mr Li was resisting a four-square endorsement of the Deng faction's insistence on accelerated reform. But, perhaps, he has been obliged to fall into line as a price of holding on to his premiership for another five years. Still, his report seems certain to mention dangers of excessive growth.

This Congress is not expected to produce any surprises. It will be carefully stage-managed. Failure to adhere to the script would almost certainly ensure delegates would not be returning next year.

Veterans of Long March leave stage

THE parliamentary session beginning today marks the end of an era for China's veteran communist leaders who joined the Long March to safe bases in northern China in 1934 to "live to fight another day", writes Tony Walker.

It will be the first time since the founding of the People's Republic in October 1949 that Long March veterans will be absent from top-ranking state posts, including the presidency, premiership and chairman of the Central Military Commission.

The official Beijing Review reported that "veteran revolutionaries" President Yang Shangkun and Mr Wan Li, chairman of the National People's Congress, intended to retire. Mr Wan made a farewell appearance yesterday at the Congress presidium, which prepares parliamentary sessions. The Beijing Review said that Mr Yang, 86, and Mr Wan, 77, were making way for "young blood".

Mao Zedong's daughter-in-law Shao Hoa at the conference

LDP godfather charged with tax evasion

By Robert Thomson in Tokyo

JAPANESE politicians were wondering last night who would be next to be investigated for tax evasion after Mr Shin Kanemaru, the disgraced godfather of the ruling Liberal Democratic Party, was charged with evading Y118m (£690,000) in income taxes.

The prosecutors' pursuit of Mr Kanemaru follows public complaints that they treated him with undue lenience for an earlier violation of the Political Funds Control Law, and there were calls yesterday for an investigation into the finances of other leading politicians.

Mr Kanemaru, 78, faces further charges, as the Y118m arises from fiscal 1987 and it is believed that prosecutors intend to take action against him for alleged evasion in each year up until last year.

Prosecutors also charged Mr Masahisa Haibara, 49, Mr Kanemaru's former aide, with evading Y28m in income tax on undeclared income of at least Y50m in 1987. Mr Haibara also faces further charges, as the first indictments were rushed through to beat a deadline set by the statute of limitations.

The indictments follow raids on Mr Kanemaru's home and office which uncovered cash, debenture certificates and gold bullion worth almost Y7bn, apparently used to maintain his influence as the head of the LDP's largest faction. He faces a maximum of five years' imprisonment and a Y5m fine.

Mr Kiichi Miyazawa, the prime minister, said that the indictments are "truly regrettable", as "public distrust for politics is worsening due to consecutive scandals".

But the LDP is still divided over reforms to political funding legislation, in particular a suggested ban on donations to the support groups which bankroll most politicians.

Most party members apparently agree that there should be tougher controls on funds received by individuals but are reluctant to agree a ban on the funding of these support groups.

Korea central bank gets new governor

By John Burton in Seoul

SOUTH KOREA'S new government has completed its appointment of senior economic officials by naming a new central bank governor.

Mr Kim Myung-ko, the head of the central bank's Office of Bank Supervision, will replace Mr Cho Soon, who was forced to resign at the weekend after serving only a year of his four-year term as the Bank of Korea governor.

Mr Cho repeatedly challenged the government last year, which probably contributed to his departure. He is a strong advocate of financial liberalisation and greater autonomy for the BOK.

His removal reflects the central bank's lack of independence from political interference.

His main achievement at the BOK was to persuade the government to adopt a tight monetary policy to cool the over-heated economy. Inflation slowed to 4.5 per cent last year from 9.3 per cent in 1991.

But he was criticised by business for causing an economic slowdown, leading to a record number of bankruptcies and falling profits.

When the government recently decided to revive growth by cutting key lending rates, Mr Cho at first opposed the step. He relented after the government agreed in return to deregulate most interest rates, a key step in financial liberalisation.

The government is now debating whether more stimulative measures are needed to achieve its target of at least 6 per cent GNP growth this year against 4.5 per cent in 1992.

Mr Kim said his priority as BOK governor would be to stabilise the value of the currency.

INTERNATIONAL ECONOMIC INDICATORS: PRODUCTION AND EMPLOYMENT

Yearly data for retail sales volume and industrial production plus all data for the vacancy rate indicator are in index form with 1985=100. Quarterly and monthly data for retail sales and industrial production show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The unemployment rate is shown as a percentage of the total labour force. Figures for the composite leading indicator are end-period values.

	UNITED STATES					JAPAN				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	102.9	100.0	100.0	2.6	100.0	96.5
1986	105.7	101.0	6.9	98.0	108.1	106.5	99.7	2.6	94.3	105.4
1987	108.3	105.9	6.1	105.5	109.9	113.8	103.1	2.9	108.3	115.4
1988	112.3	111.6	5.4	106.1	114.3	122.8	112.9	2.5	135.9	122.7
1989	115.1	114.5	5.2	99.3	113.1	132.6	119.9	2.2	147.0	126.3
1990	115.4	115.7	5.4	84.5	109.1	142.0	125.3	2.1	149.7	124.3
1991	113.4	113.5	0.7	62.0	114.6	145.0	128.1	2.1	144.1	123.3
1992		115.2	7.3	60.3	116.9		120.2			
1st qtr.1992	3.3	1.3	7.1	58.9	118.5	−0.6	−4.6	2.0	132.9	123.2
2nd qtr.1992	1.6	2.0	7.4	60.5	116.1	−3.5	−0.2	2.1	126.6	122.7
3rd qtr.1992	3.2	0.9	7.5	60.1	116.6	−3.6	−0.1	2.2	122.1	123.3
4th qtr.1992		2.0	7.2	61.7	118.6		−7.7			
February 1992	3.9	1.4	7.2	59.0	118.4	2.4	−4.0	2.0	132.5	123.3
March	1.2	2.5	7.2	61.5	118.5	−4.5	−5.8	2.0	130.2	123.2
April	2.0	2.5	7.2	59.4	118.5	−2.8	−0.0	2.0	130.6	123.1
May	1.7	2.4	7.3	61.3	116.4	−1.0	−8.9	2.1	122.0	122.9
June	1.6	1.1	7.6	60.7	116.1	−6.5	−3.6	2.1	127.7	122.7
July	2.5	1.2	7.5	59.9	116.3	−1.0	−6.1	2.2	122.4	122.5
August	3.3	1.0	7.5	61.2	116.3	−4.8	−6.1	2.2	118.0	122.0
September	3.7	0.5	7.4	59.3	118.8	−5.4	−4.1	2.2	128.0	123.3
October	5.4	1.2	7.3	60.0	117.1	−1.8	−0.4	2.3	115.1	123.5
November	0.5	2.0	7.2	62.4	117.7		−6.3	2.3	111.1	123.2
December		2.6	7.2	62.3	116.9		−6.5			
January 1993		4.1		61.1			−7.8			

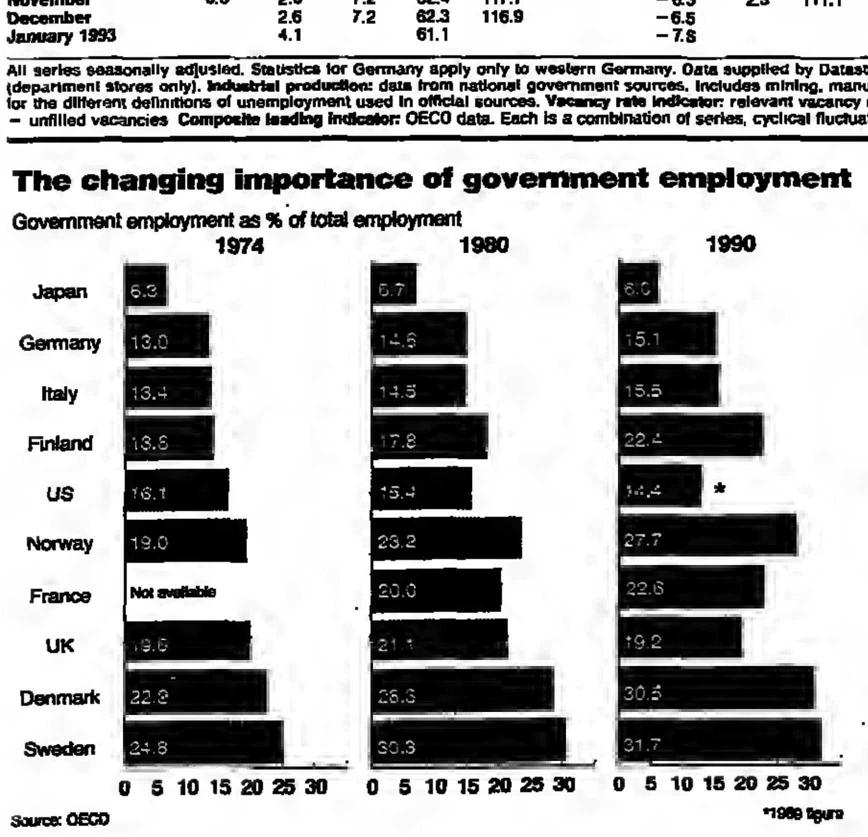
	GERMANY					FRANCE				
	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator
1985	100.0	100.0	7.1	100.0	105.1	100.0	100.0	10.2	100.0	102.5
1986	103.4	102.2	6.4	136.4	104.9	102.4	101.1	10.4	107.2	108.6
1987	107.4	102.5	0.2	148.4	106.1	104.5	103.1	10.5	117.0	108.3
1988	110.5	106.2	6.2	164.7	112.2	107.9	107.3	10.0	134.9	114.3
1989	114.1	111.4	5.6	216.5	115.0	108.0	111.3	9.4	161.1	113.7
1990	123.5	117.2	4.9	261.0	115.7	110.1	112.8	9.0	166.0	106.2
1991	130.4	120.6	4.4	269.9	112.9	108.7	113.2	9.6	129.6	107.2
1992	127.9	116.9	4.8	280.3	107.0	108.9	112.9	10.3	110.2	
1st qtr.1992	−2.6	1.2	4.4	277.3	112.9	−1.2	1.0	10.1	120.3	108.4
2nd qtr.1992	−4.2	−1.3	4.7	271.7	111.7	0.2	0.4	10.3	107.7	107.7
3rd qtr.1992	−1.6	−1.8	4.6	280.6	109.1	−0.2	−0.2	10.3	112.1	108.0
4th qtr.1992	1.1	−4.7	5.1	230.0	107.0	−1.7	−2.3	10.5	101.7	
February 1992	−2.1	3.3	4.4	280.5	112.9	3.3	0.3	10.2	119.5	108.2
March	−4.0	0.2	4.5	278.9	112.9	−6.9	2.7	10.1	117.8	108.4
April	−2.4	−0.2	4.6	275.7	112.5	2.8	1.4	10.3	104.6	108.1
May	−4.1	0.3	4.7	271.7	112.1	−0.9	−0.3	10.3	102.7	108.0
June	−0.1	−3.6	4.7	268.4	111.7	−1.3	−0.1	10.3	115.0	107.7
July	−4.1	−2.5	4.6	265.5	111.1	−3.5	−0.5	10.3	115.0	107.3
August	−1.5	−0.6	4.6	262.3	110.5	0.5	−0.6	10.2	113.3	106.6
September	0.6	−1.4	4.6	253.3	108.1	2.6	0.5	10.3	108.1	106.0
October	−2.1	−3.8	5.0	241.1	108.0	−1.0	0.4	10.4	105.2	105.3
November	0.9	−5.6	5.1	229.6	106.9	−5.7	−3.5	10.5	101.9	105.2
December	4.6	−4.0	6.2	220.9	107.0	1.5	−3.7	10.5	98.2	
January 1993		−6.7		212.7					96.6	

	ITALY				UNITED KINGDOM					
	Retail sales volume	Industrial production	Unemployment rate	Composite leading indicator	Retail sales volume	Industrial production	Unemployment rate	Vacancy rate indicator	Composite leading indicator	
1985	100.0	100.0	9.6	104.1	100.0	100.0	11.2	100.0	101.8	1985
1986	108.1	104.1	10.5	110.6	105.2	102.4	11.2	110.1	105.2	1986
1987	113.9	105.6	10.6	113.0	110.7	105.7	10.3	141.2	109.3	1987
1988	109.6	114.2	10.9	116.0	117.7	109.5	6.6	144.8	107.4	1988
1989	116.7	110.7	10.9	116.1	119.6	109.9	7.1	124.7	105.1	1989
1990	115.2	116.0	10.3	112.3	120.4	109.3	6.8	96.1	103.0	1990
1991	114.4	115.4	9.6	115.2	119.5	106.1	6.7	66.5	106.8	1991
1992		114.1			120.3	105.7	10.0	64.8	111.6	1992
1st qtr.1992		−0.3	9.9	114.7	−0.4	−1.2	9.5	70.9	107.4	1st qtr.1992
2nd qtr.1992		−0.3	9.6	112.7	1.1	−0.2	6.7	68.7	110.1	2nd qtr.1992
3rd qtr.1992		−1.1	6.9	110.6	0.6	−0.4	10.2	64.9	109.7	3rd qtr.1992
4th qtr.1992		−2.8			1.3	0.5	10.5	62.3	111.6	4th qtr.1992
February 1992		0.3	n.a.	115.0	1.3	−0.8	9.8	71.0	106.7	1992 February
March		0.3	n.a.	114.7	−3.3	−1.6	6.5	71.1	107.4	March
April		0.5	n.a.	114.4	1.1	1.4	6.6	70.3	108.8	April
May		1.1	n.a.	113.9	1.9	0.4	9.7	68.7	109.8	May
June		−2.6	n.a.	112.7	0.4	−2.4	9.6	67.1	110.1	June
July		0.2	n.a.	111.9	−0.4	−1.4	10.0	68.3	109.4	July
August		−0.3	n.a.	111.1	1.3	0.2	10.2	65.7	109.1	August
September		−3.1	n.a.	110.6	1.5	0.1	10.3	60.7	108.7	September
October		−1.0	n.a.	110.7	1.9	0.8	10.8	59.5	110.7	October
November		−4.3	n.a.	111.3	1.0	0.3	10.5	61.1	111.4	November
December		−3.2	n.a.		0.6	0.6	10.7	66.1	111.6	December
January 1993			n.a.		2.3			63.5		1993 January

All series seasonally adjusted. Statistics for Germany apply only to western Germany. Data supplied by Datastream and WEFA. **Retail sales volume:** data from national government sources except Japan and Italy (value series deflated by OECD using CPI). Refers to total retail sales except France and Italy (major outlets only) and Japan (department stores only). **Industrial production:** data from national government sources. Includes mining, manufacturing, gas, electricity and water supply industries except Japan (mining and manufacturing only) and UK (also includes construction industries). **Unemployment rate:** OECD standardised rate which adjusts as far as possible for the different definitions of unemployment used in official sources. **Vacancy rate indicator:** relevant vacancy measure divided by total civilian employment, expressed in index form. Derived from OECD series. US – help-wanted advertising, Japan – new vacancies, Germany and France – all jobs vacant, Italy – no data available, UK – unfilled vacancies. **Composite leading indicator:** OECD data. Each is a combination of series, cyclical fluctuations in which usually precede cyclical fluctuations in general economic activity.

The changing importance of government employment

Government employment as % of total employment



Source: OECD

Behind the public face of the Swedish labour model

WHILE SWEDEN's unemployment record was the envy of the developed world in the 1980s, at home the popularity of Swedish-style social democracy waned. But the last two years of conservative government have yet to provide an attractive alternative. So far Prime Minister Carl Bildt's attack on the public sector has delivered a deep recession, a rising budget deficit and an increase in unemployment to very un-Swedish proportions. If his minority government loses next week's vote of confidence, forcing a general election in the summer, then the Swedish labour market model may yet be granted a reprieve.

The evidence of the last two decades certainly suggests that voters should think twice before ditching Sweden's labour market institutions. From similar starting points in the early 1970s, Sweden's unemployment rate remained around 3 per cent throughout the 1980s while rates in most other OECD countries soared into double figures. Sweden's average unemployment rate actually fell by 0.2 percentage points between 1968-73 and 1985-90 compared to a rise of 5.1 percentage points in Germany and 5.9 percentage points in the UK.

Yet the conventional explanations for Sweden's success – centralised pay-bargaining and re-training schemes for the unemployed – do not seem satisfactory. Even countries such as Australia, which had relatively successful co-ordinated pay-bargaining systems and thus above average real wage flexibility, suffered a large rise in structural unemployment in the 1980s. And while Sweden's active labour market programmes pushed a quarter to a third of outflows from unemployment into relief work and training, the OECD has not been able to find empirical evidence to suggest that they actually improved the job prospects of participants. In any case, they absorbed on average less than 3 per cent of the labour force in the 1980s.

The missing element in Sweden's success story is public sector employment. Sweden has traditionally had a larger government sector than other European countries, as the chart shows. But while the share of government employment in total employment rose by 2.1 percentage points in Germany between 1974 and 1990, and actually fell marginally in the UK, it rose by 6.9 percentage points in Sweden over the same 16-year period.

Sweden was not alone. Aside from the dramatically small size of Japan's government sector, the striking feature of the chart is the rapid growth of public employment across the Nordic countries, all of which, with the exception of Denmark, maintained very low unemployment rates by European standards in the 1980s. This growth of public sector employment also helps how the Nordic countries were able to avoid the rise in wage inequality that plagued many other developed countries as a result of the declining demand for unskilled labour. The growth in part-time employment among unskilled workers in the UK and US in the 1980s, largely in the private sector, required a large fall relative in the wages of low paid workers. But in Sweden, the burden was borne not by low paid workers but by taxpayers who financed the growth in better-paid public sector jobs. By 1988, total Swedish taxes had risen to 55 per cent of gross domestic product, compared to a European average tax share of 41 per cent.

The choice for Sweden's voters ought now to be relatively clear: a smaller public sector should allow lower marginal and average tax rates but it will also mean European-style unemployment rates. Sweden's wage-bargaining system has again delivered a rapid fall in inflation by international standards but this time Mr Bildt's public sector cuts mean it has been accompanied by a rise in unemployment to more than 7 per cent of the labour force. Yet there is one complication: unemployment benefits in previously low unemployment Sweden are worth 90 per cent of previous earnings, much higher than in other countries. So unless the government is prepared to cut welfare payments while unemployment is still rising, it may find tax cuts hard to deliver, a fact which could simplify the electorate's choice.

Edward Balls

Keating changes villain's cloak for hero's mantle

PM makes a break from Labor's past, says **Kevin Brown**

AUSTRALIA'S re-elected Labor prime minister, Mr Paul Keating, must feel a little like Superman. For 15 months, since he took over from Mr Boh Hawke, Mr Keating has been shackled hy past mistakes. On Saturday, with one bound, be was free.

As treasurer (finance minister) until March 1991, Mr Keating was one of the moat unpopular politicians in the country, widely hlamed for triggering the 1990-91 recession through mistaken handling of monetary policy.

His image nosedived further after he successfully challenged in December 1991 for the Labor leadership, bringing a premature end to the career of Mr Hawke, Labor's longest serving end most popular leader.

Mr Keating has spent much of his time since then trying to refashion his image hy airing a diverse range of emotive issues designed to show that his vision for Australia embraces more than effective economic management.

In the process he has wooed Aborigines with promises of reconciliation with white Australia, nationalists with promises of repuhlicanism and a new flag, and parents with a campaign against television violence.

He has also cleaned up his language, largely eschewing colourful phrases such as "scumbag" which were well-received hy parliamentary colleagues, hut notoriously unpopular with voters.

He has heen unable, however, to do anything about the level of unemployment, which rose to 11.1 per cent of the workforce or more than 1m people during the campaign.

Until late on Saturday night, tbere wes almost unanimous agreement among opinion pollsters and commentators that the government's economic record would hand a narrow victory to the opposition Liberal/National Party coalition.

Even Mr Hawke, winner of four elections between 1983 and 1990, said shortly after the polls closed that he thought Labor would lose. Mr Boh Hogg, the party's national secretary, confessed to the same fear.

But neither the opinion polls nor the pundits had picked up a late swing to Labor as voters heeded repeated warnings hy Mr Keating that the opposition's radical taxation and industrial relations policies would lead to chaos.

Much of his campaign was based on the duhious claim that the coalition's proposals for a goods and services tax (GST), similar to the European value added tax, would cause an irreversible change in the Australian way of life.

Walking tall: Paul Keating with his family after Saturday's win

Mr Keating also scored e significant victory in the last two days of the campaign with an attack on the coalition's plan to deregulate the labour market, which he claimed would open workers to exploitation.

The government campaign was largely negative, hut it was effective, especially allied to regional variations in voting patterns and the ahility of Labor's highly professional electoral machine to target marginal seats for special attention.

When all the votes are counted, Labor seems likely to achieve a majority of between seven and 17 seats in the 147-seat House of Representatives, compared with six in the last parliament.

Even the bottom end of the range would represent a startling victory against the odds, especially as Lahor appears likely to become the first government since 1966 to increase its vote at a general election.

For the coalition, the result is a disaster comparahle to the British Labour party's failure to wrest power from the Conservative government in last year's UK election.

Like the Britisb opposition, the coalition now has to consider why it failed to capitalise on the legacy of the worst recession for 60 years, and whether there are any foreseeable circumstances in which it could hope to win.

Mr John Hewson, leader of the Liherals, the coalition's dominent partner, said he wonld fight on and claimed "strong support" in the leadership contest which will be held shortly. However he said the coalition would drop the GST proposal and establish a wide-ranging policy review, suggesting thet the conservatives may take some time to recover their direction.

For Mr Keating, the election was the final act in a two-year transformation from villain to hero. His victory gives Labor a fifth successive term in government and suggests that the party is close to achieving Mr Hawke's vision of it as the netural party of government.

At the least, Mr Keating has far exceeded the expectations of Labor MPs, who made him leader in the hope that he would contain the scale of what most saw as inevitable defeat.

The signs are that Mr Keating intends to take full advantage of the circumstances of his victory, which could make him an unusually powerful Labor prime minister.

The new government's priorities will be to encourage economic recovery and complete the wide-ranging structural reforms hegun under Mr Hawke, such as the tariff reduction programme.

Exchange resumes trading today

THE Bombay Stock Exchange is planning to resume trading today and re-open sooner than expected in a bid to restore business confidence in India's commercial capital, writea Stefan Wagstyl.

Trading will be carried out in a makeshift trading room set np over the weekend to replace a large new trading centre wbich has been destroyed. Trading will be limited to an hour.

Exchange officials, who had earlier considered halting trade for up to a week to allow for emergency repairs, were persnaded to try to re-start today after meetings with Mr P V Narasimah Rao, the prime miniater, and Mr Sharad Pawar, the chief minister of Mabarashtra state, which includes Bombay.

Mr Rao and Mr Pawar believed it was important for business life to return quickly to normal to prevent denting domestic and international confidence in India's economy.

The hlasts hit the offices of Air India, three hotels, a passport office and shops as well as the stock exchange's 28-storey huilding.

Bombay police found and defused a bomh hidden in e scooter parked near a husy railway station in the city centre. The police said the scooter had not been moved since Friday and had probehly been placed by Friday's bombers.

Mr A S Samra, the city's police commissioner, said last night that police hed qnestioned several people in connection with the bomhings, hnt none was suspected of being involved, and no one had been detained.

Mr Samra, like other senior government and police officials, was extremely wary of dropping eny hint that the euthorities suspect Moslem extremists, even though many Bombey residents believe a Moslem gronp from ontside India may have been responsihle - perhaps acting to evenge the riots in which Moslems were the main casualties.

Bombay stays calm in the face of horror

The city seems determined to put Friday's outrage behind it, writes **Stefan Wagstyl**

MR TEG BAHADUR Thapar was serving lunch from his stall outside the Bombay stock exchange on Friday when he was showered with flying glass and broken concrete in one of 13 explosions which rocked the city and left at least 255 people killed and over 1,200 injured.

"I'm lucky to be alive," he said from his hospital hed. "Who did this? Who can stop this happening again?"

Across Bombay people were asking themselves the same questions this weekend. They sensed there was an enormous difference between the riots which scarred the city in December and again in January. Those were caused by a traditional mix of crime, political agitation and ancient Hindu-Moslem hatreds stirred hy the destruction of the mosque in Ayodhya. The weapons used were mostly primitive – knives, clubs and petrol bottles.

Friday's outrage, hy contrast, bears the deadly stamp of high-technology terrorism, complete with Semtex plastic explosive, high-grade timers, efficient organisation and money.

The only comparable previous incident was the assassination in 1991 of Mr Rajiv Gandhi, the former prime minister, hy Sri Lanke's Tamil Tiger terrorists.

But that was e single bomb aimed at one man – the explosions in Bombay were designed to terrorise the nation's commercial capital. Bombay accounts for 35 per cent of India's exports. Mr P V Narasimha Rao, the prime minister, described the hlasts as an attack on India's economy.

The immediate assumption both at the highest level and in the streets of Bombay was that those responsihle must have been foreigners or had foreign belp. Tbe Bombay police dropped bints about the possihle involvement of the Tamil Tigers.

But these suggestions were seen in Bombay as a deliberate attempt to deflect attention from the people wbo in the popular mind are the real suspects – Moslem extremists wbo might have taken revenge for the riots which hit India after the Ayodhya mosque's destruction and which left 2,000 dead, including 700 in Bombay.

If Moslems are found to have staged the ettacks, the Indian authorities will certainly suspect that the operatioo was supported from a Moslem country, notahly Pakistan.

The implications would be vast. Breaking diplomatic relations would he the minimum step Delhi could take on a dangerous road.

Mr Rao chose his words carefully during his visit to Bombay: "There is a definite possibility tbat our search may not stop within the country. I do not want to name anyhody because it will have ramifications within and outside the country."

There is no evidence linking the attacks to Moslem extremists, let alone to Pakistan. Even if Moslem groups are found to be responsible for the homhings, they could have been supplied from other Moslem countries. India would still fece a diplomatic crisis hut hardly on the same scale.

For the moment, such concerns seem remote from the streets on Bombay, where the atmosphere yesterday was calm. Workmeo were clearing away ruhble at the blast sites, including the hlackened stock exchange huilding.

Bombayites seemed determined to put the outrage behind them. At the Gymkhana Club and dozens of other sports grounds, hundreds of men and boys were playing cricket as they do every Sunday. Others were walking along the seafront by the arch of the Gateway of India.

The stock exchange authorities plan to re-start trading as soon as they can - probably today - using an old trading floor the exchange vacated only last year.

Businessmen estimated the main loss to the city would be the loss of life and injuries and the damage caused to hlasted buildings. They did not expect the same widespread disruption to productioo as occurred during the riots when hundreds of thousands of people fled their homes and places of work for up to a month.

Nevertheless, commerce will not escape unscathed. For example, the city's diamond traders and jewellers, who were forced to postpone their maio annual interentional exhibition in December and again in January, have now abandoned plans to hold it this month.

Bomhayites seemed yesterday to have united in the face of what is widely seen as an external challenge. During the riots, residents felt the foundations of the city giving way beneath their feet. This time, they feel under attack but tbey believe they are et least standing on solid ground. Political leaders have refrained from stirring anti-Moslem passions – including Mr Bal Thackeray, the firebrand leader of Shiv Sena, the extreme Hindu party, despite the fact that a bomb exploded near his headquarters.

Some of the credit for the limited disruption should go the governmeot and the police for promptly calling paramilitary and regular troops to belp patrol sensitive districts. But much more should go to the people of Bombay, who, so far at least, have refused to he goaded into violeot protest hy the bombers.

As Mr F T Khorakiwala, a leading Moslem husinessman and the (honorary) Sheriff of Bombay, says: "The danger of people turning on eacb other again is there. But this attack threatens us all. It's heartening to see people unite against it."

British Gas proposes alternative to break-up

By Deborah Hargreaves

BRITISH Gas has proposed a compromise to the Monopolies and Mergers Commission to counter radical proposals by its regulator for a full-scale break-up of the company.

British Gas is understood to have proposed splitting its UK gas business into three wholly-owned subsidiaries, covering sales to the industrial market, household supply and pipelines. The company could then disband its central gas purchasing function, leaving its two sales units to buy their own gas from the North Sea.

British Gas submitted itself to an MMC inquiry last August as a way of preserving 15,000 jobs in its gas business. Regulatory demands on the company, including a tough pricing formula, would have forced it to reduce costs by £400m over five years and it would still have been making a loss of £300m on its household sales business by 1997.

The MMC is due to present its report on April 30 to Ofgas, the industry regulator, and Mr Michael Heseltine, trade and industry secretary.

Two weeks ago Ofgas called for British Gas to be broken up into 12 regional companies, a purchasing arm and a stand-alone pipelines company.

British Gas believes a full break-up could cost as much as £3bn over 10 years, including £2bn to provide additional storage because of inefficiencies in the system.

In addition, the company is understood to be fighting to keep its monopoly over household supply, arguing that removal of the monopoly could compromise safety standards, endanger security of supply and service to disadvantaged customers, and mean the end of uniform gas costs across the country.

British Gas has contested claims by competitors that UK households would see substantial savings – 10 per cent a year on gas bills – from the introduction of competition to domestic supply.

The company believes that, if prices were rebalanced to reflect the full costs of supply, some 12m of its customers would pay more and 6m would pay less. Prices for very small customers, using less than 100 therms a year – for example, using gas only for cooking – would nearly double, it says.

Customers closest to gas terminals in the east of the country could save on their bills, but others would pay higher costs, according to British Gas.

By splitting up the gas purchasing arm, British Gas would make it easier for independent gas shippers to have greater access to North Sea supplies. The company has been the dominant buyer in the North Sea for many years and rival gas marketing companies have complained they could not compete with its purchasing power.

The company is also believed to be discussing the creation of a market in peak gas supplies which would address the problem of opening up the interruptible supply sector to competitors. Interruptible customers are the largest users of gas, paying a cheaper price in return for being cut off during periods of peak demand in the domestic market.

The peak trading market could herald the start of a spot market in gas sales. Initially it could work by companies bidding to supply large users at the lowest price.

● British Gas has said it will complete a feasibility study for a gas fired power station in Bahrain which it will operate in a joint venture with Bahraini private companies. The plant could cost several hundreds of millions of pounds and is scheduled to begin operations in late 1996.

Jobseekers 'past it at 45'

By Diane Summers, Labour Staff

IF YOU'RE over 45, don't bother to apply – that is the message from UK employers to jobseekers, according to an analysis of more than 4,000 job advertisements.

Almost a third of advertisers specified an age bar, an increase from a quarter four years ago when the independent research group, Industrial Relations Services, last monitored job advertisements. Four out of five employers which gave an age preference wanted someone under 45.

Even companies describing themselves as "equal opportunity" employers in job advertisements appeared willing to exclude some candidates on the grounds of age. IRS cites a Nissan Motor (GB) advertisement for a personnel controller and a management development controller where the "successful candidates will be aged about 25". Pearl Assurance wanted a training manager "in their early to mid-thirties" and Group Four Total Security was looking for a "personnel professional aged 25-40".

Unlike the US, the UK has no age discrimination laws to parallel legislation which prohibits employers from specifying the preferred race or sex of job candidates.

The Institute of Personnel Management strongly discourages members from imposing age bars. In a guidance note it states: "It does not make good business sense deliberately to exclude suitably qualified candidates on the basis of age."

Although 1993 is the European Year of Older People, a recent European Commission advertisement spotted by IRS insisted that candidates for the job of administrative assistant should "have been born after October 9 1956".

The Commission's justification is that it wants to hold on to employees for several years while, at the same time, keeping an age balance among its workforce.

Two more Leyland Daf buy-out plans emerge

By John Griffiths

MANAGEMENT buy-out proposals are being launched for two further operations within Leyland Daf, the truck and van maker in administrative receivership.

Mr Arthur Zammit, managing director of formerly Eindhoven-based Daf International, is leading a British-based team seeking to take control of Leyland Daf truck assembly and distribution activities in Zimbabwe, Zambia, Ghana, Uganda, Tanzania and Malawi.

Although these companies were administered from Eindhoven prior to the collapse of Daf, they were subsidiaries of Leyland Daf and come within the remit of the UK receivers. The main truck they assembled from kits, the Comet, is also Leyland designed and produced. The African companies employ about 2,000 people.

Mr Zammit, 55, has the support of five of the six former directors of Daf International. He is a 30-year veteran of the commercial vehicle industry, including seven years controlling Ford of Europe's export activities from the UK.

Managers at Leyland Daf's parts distribution operations at Chorley, Lancashire, are understood also to have begun talks with the receivers on a possible buy-out. The centre distributes all Leyland Daf van and truck parts, and distributes other parts under the Multipart brand.

● Registrations of new commercial vehicles fell by 7.49 per cent last month, supporting fears that an apparently sharp rise in car sales – although from very depressed levels – may be painting a misleadingly optimistic view of economic recovery.

The rapid plunge of Leyland Daf from leadership of the truck market, in the wake of its collapse, is also highlighted in the February registration statistics released by the Society of Motor Manufacturers and Traders. Rivals, led by Iveco Ford, have moved swiftly to capitalise on the halt in Leyland Daf production last month.

Britain in brief

Days off sick cost £13bn a year

Absenteeism because of sickness is costing employers £13bn a year, according to a survey published today by the Confederation of British Industry, the employers' organisation.

The survey shows that the average worker was absent from work for eight days in the year because of sickness. Workers in the National Health Service and local government took the most time off.

In those two sectors absenteeism was 41 per cent higher than the national average.

Commenting on the findings, Percom, the personnel software company that carried out the survey, suggested that it might be because private companies monitored and controlled absence from work more effectively than the public sector.

The differences in absenteeism could also be related to the composition of work forces, with the public sector employing large numbers of manual workers. According to the survey, full-time manual workers in both manufacturing and services had almost double the level of absenteeism of office workers.

Report critical of UK industry

Mr Michael Heseltine, trade and industry secretary yesterday found himself trying to contain the political fall-out from a leaked report from within his own department which paints a depressing outlook for British manufacturing.

The confidential report was prepared as a background paper for Mr Heseltine by the DTI's industrial competitiveness unit which privately advises the minister. It was leaked to the Sunday Times.

The report underlines the structural problems faced by British industry and the uphill struggle it faces in bringing about an export-led recovery.

The leaked version concludes that UK industry is beset by weak management and products, and inadequate investment in new technology.

Mr Heseltine yesterday appeared to try to play down the accuracy of the report while confirming its authenticity, and partially agreeing with some of its conclusions.

Birt wins BBC backing

Senior managers at the BBC today rally to the defence of Mr John Birt, the director-general at the centre of a row about his tax arrangements.

In a letter to The Times newspaper today, 10 members of the BBC's board of management, responsible for the day-to-day running of the corporation, said the controversy surrounding Mr Birt had obscured the most important issue in broadcasting – the need for the BBC to have a clear vision, to safeguard its future after its charter expires in 1996. "We . . . believe that John Birt is the best person to lead the BBC and he has our unanimous support."

The letter may strengthen Mr Birt's position ahead of Thursday's meeting of the BBC'S 12-strong board of governors, which is expected to hear calls for his resignation.

Body launches skills drive

The government will today announce that it has set up a business-led advisory council to bring fresh impetus to the drive to transform the skills of the workforce and, to particular, to speed up the introduction of National Vocational Qualifications (NVQs).

The National Advisory Council for Education and Training Targets will be chaired by Mr Peter Davis, deputy chairman and chief executive of Reed Elsevier. Other members include Mr Dominic Cadbury, chief executive of Cadbury Schweppes and Mr Bill Jordan, president of the AEEU general union.

Five years ago the government authorised the design of NVQs to help improve Britain's poor skills record, but implementation has been slow. Based on an individual's ability to do a task, NVQs provide comparability between different occupations and between vocational and academic qualifications.

Charities face cash crisis

Charities are stretched to their financial limits and face a growing funding crisis, according to a survey published today.

The Top 1,000 charities guide published by Hemmington Scott – the first attempt to compare financial information across so many voluntary organisations – shows that most are struggling to match expenditure by income.

Expenditure grew faster than income, with 97 per cent of income spent in the most recent financial year, compared with 95 per cent in the previous year. Net asset cover dropped sharply.

"There are tremendous demands on charities which are not going to be met by increased income," said Mr Peter Scott, the guide's compiler.

"They have stretched things as far as they can. There is going to be a real problem."

Auditors to eight of the charities expressed doubts in the accounts about their continued survival, including the London Zoological Society, the Royal Opera House at Covent Garden and the Aldeburgh Foundation.

Some farmers fear their land could be abandoned to the sea following a review by the Ministry of Agriculture, which called for a more "environmental" policy to protect the coastline. At stake are the sea walls and other shore defences which protect more than 1,250km of coast – mostly around East Anglia, which is particularly vulnerable to flooding. Mr John Gummer, agriculture minister, said recently that "in some areas setting back the line of defence might be the most effective coastal defence option", which suggests the ministry may abandon some of the more isolated – and expensive – stretches of seawall. Above, a man collects fence posts worn down by high tides breaching the sea wall. In the foreground are blocks for repairs to the seawall at Bradwell, Essex

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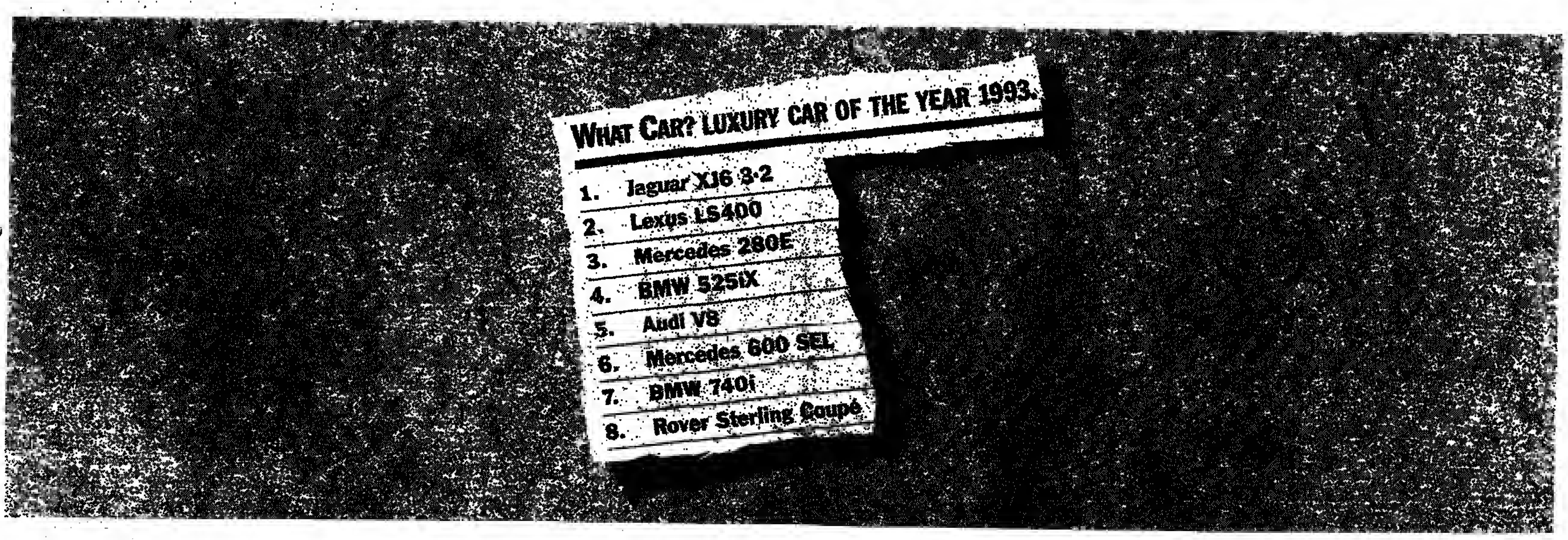


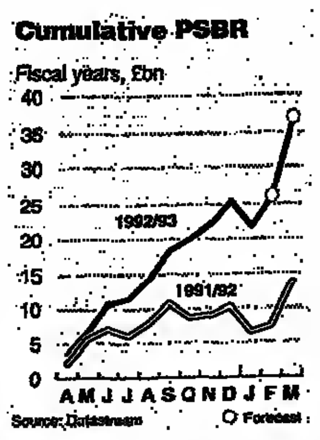
JAGUAR

What are tables for, if not to come top?

THE WEEK AHEAD

ECONOMICS

Focus turns to UK budget outcome



THERE have been few clues as to what tomorrow's budget will deliver in the UK. But with the public sector borrowing requirement set to grow by around £1bn per week in the next financial year, the chancellor is expected to announce some revenue raising measures.

An alteration to the VAT system is one possibility. The chancellor has the option of either raising the rate of VAT – currently 17.5 per cent – or extending its base to include items such as food, newspapers and children's clothes.

One drawback would be the upwards pressure such a move would put on the retail prices index. But as the RPI figures at the end of this week are expected to show, the government still has plenty of room on inflation.

The rest of the week will be taken up with other UK figures, including manufacturing output, unemployment figures and the February PSBR.

Other economic highlights of the week follow. The figures in brackets are the consensus of economists forecasts from MMS International, a financial information company.

Today: UK, January manufacturing output (up 0.2 per cent on month, up 1.1 per cent on year), January industrial production (down 0.2 per cent on month); France, February consumer prices index (up 0.2 per cent on month, up 1.9 per cent on year); Belgium, meeting of economy and finance ministers in Brussels; Italy, Italian Socialist Party National Assembly; Austria, 1992 balance of payments; US, auto sales March 1-10 (6.3m), truck sales March 1-10.

Tomorrow: UK, Budget statement, February PSBR (£4.5bn); US, February housing starts (1.25m), February building permits, Q4 current account, Johnson Redbook week ended March 13; Canada, January manufacturing orders (up 1 per cent on month), January manufacturing shipments (up 0.5 per cent on month); Japan, February trade balance ($11.9bn).

Wednesday: UK, February retail sales (up 0.15 per cent on month, up 1.9 per cent on year); US, February CPI (up 0.3 per cent), excluding food and energy (up 0.3 per cent), February industrial production (up 0.4 per cent), February capacity utilisation (79.7 per cent), February real earnings; Canada, February lead indicator (up 0.2 per cent on month), advanced department store sales (up 1 per cent on year), January wage settlement increases (1.6 per cent); Japan, January industrial production, January shipments.

Thursday: UK, February unemployment (up 35,000), January average earnings (4.75 per cent), January unit wage costs (down 0.3 per cent on year), February M4 (up 0.5 per cent on month, up 3.3 on year), M4 lending (£1.5bn); Germany, Bundesbank council meeting; US, January merchandise trade balance ($7.2bn deficit), exports ($39bn), imports ($46.1bn), initial claims week ended March 6 (360,000), state benefits week ended February 27, money supply data for week ended March 8; Canada, January merchandise exports (up 1.4 per cent on month), imports (flat), trade surplus (C$1bn); Australia, January housing finance, January export prices, Q4 GDP (up 0.5 per cent on quarter), Q4 GNE.

Friday: UK, February retail prices index (up 0.5 per cent on month, up 1.7 per cent on year), excluding mortgage interest payments (up 3.2 per cent on year); France, (up 0.5 per cent on month); US, March Michigan sentiment, February Treasury Budget.

During the week: Germany, January retail sales, February WPI (up 0.3 per cent on month), February PPI (up 0.2 per cent on month, up 0.7 per cent on year), February M3 (flat); Spain, January CPI (up 5 per cent on year); Netherlands, February CPI (up 0.3 per cent on month, up 2.4 per cent on year), January trade balance; Italy, January PPI (up 2.5 per cent on year), January WPI (up 4.4 per cent on year), January industrial production (down 2.6 per cent on month); Japan, February money supply, February liquidity.

Emma Tucker

RESULTS DUE

UNITED Biscuits' full-year results on Thursday will be heavily scarred by the profits collapse at Keebler, its US subsidiary, and a consequent restructuring charge. With margins still under pressure, analysts forecast group pre-tax profits of about £160m, down from £211.3m last time.

The McVitie's division is thought to have benefited from a stronger year-end, as well as from contributions from European acquisitions. A small improvement is forecast for the Ross Young's frozen foods business, though KP Foods' results fell back slightly.

Annual profits from English China Clays, due today, will reflect the problems of the paper industry, its major customer. Paper makers have been trying to share their pain with suppliers while ECC is also suffering competition from the US. Analysts are looking for a fall in profits from 1991's £115.4m pre-tax to £85m-£95m. However, under FRS 3 the numbers should look better, with a rise to around £100m from £79.3m.

The end of the UK-quoted banks reporting round comes today with results from HSBC Holdings. HSBC, which acquired Midland Bank last summer, is expected to announce pre-tax profits of between £1.6bn and £1.8bn for 1992.

Guinness, on Thursday, is expected to report a 17 per cent decline in 1992 pre-tax profits to £795m, with an exceptional charge of £125m for the reorganisation of the group's Scotch whisky operations and Spanish brewing business accounting for most of the shortfall on 1991's £956m.

Spirits' trading profits will reflect the impact of difficult conditions in the UK, Japan, and some European markets. A 1.5 per cent rise to £760m is expected. Brewing profits are forecast to rise from £244m to £265m. The contribution from LVMH, the French cognac and champagne group, is likely to be about £23m lower at £100m.

Arjo Wiggins Appleton, the papermaker, is likely to report on Thursday a drop in pre-tax profits of around one-third to £160m. It is suffering from the slowdown in the continental economies and excess capacity.

Laporte, the UK chemicals group, reports its full-year results today. During the takeover of Evode earlier this year, the company predicted that its pre-tax profits would fall from £97.2m to £86m. Analysts expect the full-year dividend to rise from 18.9p a share to between 19.3p and 19.7p per share. Analysts will be more interested in the group's forecasts for the remainder of the year. More than a third of Laporte's sales are in north America.

Rentokil, the pest control, plant hire and environmental services group, is expected to report on Thursday another big jump in pre-tax profits for 1992. Analysts are expecting profits of about £115m-£122m (£94.5m). A full-year dividend of 2p-2.5p (1.7p) is forecast.

Pre-tax profits at IMI, the Birmingham engineer reporting today, were running 9 per cent down on 1991 at the halfway stage. That trend looks likely to have continued for the full year as the problems of the UK economy and the particular problems of the titanium market outweigh the strength of the building products business in Germany and the drinks dispense division. A likely outcome is taxable profits of about £64m for 1992 with a maintained final dividend of 5.8p.

PARLIAMENTARY DIARY

■ TODAY
Commons: Questions to social security ministers, Church Commissioners and Lord Chancellor's Department. Disability (Grants) Bill, second reading. National Health Service Amendment Regulations.
Lords: Delegated Powers Scrutiny Committee, approval motion. Housing and Urban Development Bill, committee. Video Recordings Bill, report.
Select Committees: Foreign Affairs – subject: Europe after Maastricht. Witness: Bruce Millan, EC Commissioner, room 15, 4.15pm.
Public Accounts – subject: Civil Service Catering. Witness: Mr Michael Scholar, deputy secretary, HM Treasury, room 16, 4.30pm.

■ TOMORROW
Commons: Employment questions. Questions to the Prime Minister. Budget statement by Chancellor Norman Lamont. Budget debate.
Lords: Trade Union Reform and Employment Rights Bill, committee. Penalty for Murder Bill, third reading.

■ WEDNESDAY
Commons: Trade and Industry questions. Budget debate, second day.
Lords: Debates on university developments and crime.
Select committees: Parliamentary commissioner for administration – subject: Report of the parliamentary commissioner for administration for 1991. Witnesses: Mr Stephen Orchard, chief executive, Legal Aid Board; Sir Michael Partridge, permanent secretary, department of social security; Mr Michael Bichard, chief executive, Benefits Agency, room 19, 10am.
Foreign Affairs – subject: FCO expenditure. Witness: Sir David Gillmore, permanent under secretary of state and head of the diplomatic service, Foreign and Commonwealth Office, room 8, 10.30am.
Trade and Industry – subject: British aerospace industry; Witnesses: British Aerospace; Electronic Engineering Association, room 15, 10.30am.
Employment – subject: Import and export of jobs. Witnesses: GKN, Nissan Motor Manufacturing (UK), room 15, 4.15pm.
Health – subject: Dental services. Witness: department of health, room 21, 4.15pm.

■ THURSDAY
Commons: Northern Ireland questions. Questions to the Prime Minister. Budget debate, third day.
Lords: Trade Union Reform and Employment Rights Bill, committee. Judicial Pensions and Retirement Bill, Commons amendments.
Select committee: Foreign affairs – subject: Europe after Maastricht. Witness: Sir Leon Brittan, EC Commissioner, room 15, 4.15pm.

■ FRIDAY
Commons: Debate on tourism.
Lords: Not sitting.

UK COMPANIES

■ TODAY
BOARD MEETINGS:
Finals:
Abbott Mead Vickers
Alliance Trust
Antofagasta Hldgs.
BPP
Claremont Garments
Delta
Emess
English China Clays
HSBC Hldgs.
IMI
JIB
Laporte
Metalrax
Nichols (JN) (Vimto)
Peek
Ransomes
Record Hldgs.
Rugby
Takare
Utd. Uniform Services
Wassall
Watmoughs
Interims:
European Leisure
MAI

■ TOMORROW
COMPANY MEETING:
Witan Investment, New Horticultural Hall, Greycoat Street, SW., 7.15.
BOARD MEETINGS:
Finals:
Graseby
Hampden
Henderson Highland Tst.
Law Debenture
Lionheart
Marley
River & Merc Am Cap & Inc
Simon Engineering
Thornton Asian Emerging Mrkts
Wimpey (George)
Interims:
Paterson Zochonis
Scholes

■ WEDNESDAY MARCH 17
COMPANY MEETING:
Gestetner Hldgs., Hyde Park Hotel, 66, Knightsbridge, SW., 10.00.
BOARD MEETINGS:
Finals:
Avonside
Bowthorpe
British Mohair
Caledon Inds.
Chieftain
Daniels (S.)
Expamet Intl.
Fisher (James)
Plantsbrook
Portals
Premier Cons. Oilfields
Singapore Para Rubr Est
Spandex
Thomson
Try
WSP Hldgs.
Interims:
Denton
Golden Hope Plants.
Minorco

■ THURSDAY MARCH 18
COMPANY MEETINGS:
Burlington Group, The Honourable Artillery Co., Armoury House, City Road, EC., 11.00.
River & Mercantile Trust, New Connaught Rooms, Great Queen Street, WC., 11.30.
BOARD MEETINGS:
Finals:
Arjo Wiggins Appleton
Automated Security
Baynes (Charles)
Cattle's Hldgs.
Coats Viyella
Commercial Bank of Lon.
CrestaCare
Davis Service
Edmond Hldgs.
Evans Halshaw
Guinness
Kwik-Fit
Legal & General
Mandarin Oriental
Martin Currie Pacific
Rentokil
Rotork
Rutland Trust
Schroders
Seafield Resources
Telemetrix
Trade Indemnity
Trio Hldgs.
United Biscuits
Vinten
Interims:
Green (Ernest)
Melville

■ FRIDAY MARCH 19
COMPANY MEETING:
Cardiff Property, 56, Station Road, Egham, Surrey, 12.00.
BOARD MEETINGS:
Finals:
Anglia Television
Arcolectric
Britannic Assurance
Global Group
Haden MacLellan
Hornby
IoM Steam Packet
Molins
Interims:
Bennett & Fountain
Fortnum & Mason

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

DIVIDEND & INTEREST PAYMENTS

■ TODAY
ASLK-CGER IFICO Steppd. Coupon Gtd. Nts. 1995 £50,000
Atlantic Richfield $1.375
Bear Stearns Fltg. Rate Nts. 1994 $95.31
Bradford & Bingley Bldg. Society Fltg. Rate Nts. 1995 £180.89
Brit. Gas Intl. Fin. 10⅛% Gtd. Bds. 1996 C$101.25
Brunswick $0.11
Christiania Bk. og Kreditkasse Fltg. Rate Sub. Nts. 1994 $265.42
Do. Fltg. Rate Sub. Nts. 2001 $131.15
Citicorp O'seas. Fin. 10% £/$ option Gtd. Bds. 1993 £100
CSX $0.38
Daejan 12p
Dana $0.40
Edinburgh Inv. Tst. 3.65% Cm. Pf. 1.825p
First Interstate O'seas. Gtd. Fltg. Sub. Nts. 1995 $132.71
FPL $0.61
Gartmore Amer. Securities 11⅜% Deb. 2014 £5.6875
Gen. Motors Acceptance 9⅛% Nts. 1996 $456.25
Honeywell $0.2225
Invesco MIM Jersey Gilt Ptg. Rd. Pf. 0.4p
Louisiana Land & Expl $0.25
Marks & Spencer Fin. 8¾% Gtd. Nts. 1993 £97.50
Marubeni Intl. Fin. 7% Bds. 1994 Y700,000
Do. 6½% Series A Dual Currency Yen/$ Bds. 1997 Y650,000
Do. 6½% Series B 1997 Y650,000
MEPC 11¼% Bds. 1993 £112.50
Midland Intl. Fincl. Servs. Gtd. Fltg. Rate Nts. 1999 $252.78
Newcastle Bldg. Society 12⅝% PIBS £6.3125
Nobo 1.5p
Pennzoil $0.75
Quebec (Province of) 12¼% Ln. 2020 £6.125
Rugby Gtd. Fltg. Rate Nts. 1997 $13,043.75
Royal Bank of Can. Fltg. Rate Deb. 2085 $96.37
Royal Trustco Fltg. Rate Sub. Cap. Deb. 2085 $171.89
SAS-Scandanavian Airlines System 9¼% Bds. 1999 FFr925
Shearson/Amer. Express 12⅛% Gtd. Nts. 1994 $606.25
Smith (David S.) 2.75p
Sothebys Class A Ltd. Vtg. $0.15
Sumitomo Chemical 7.90% Nts. 1995 Y790,000
Sweden (Kingdom of) 9¾% Ln. 2014 £487.50
Thomson Corp. $0.113
Trinova $0.17
Trizec 11⅞% Senior Debs. 1995 C$118.75
TRW $0.47
UK 6% Funding Ln. 1993 £3
Wells Fargo Fltg. Rate Sub. Nts. 1994 $131.25
Whirlpool $0.275

■ TOMORROW
Agricultural Mortgage 7¾% Deb. '91/93 £3.875
Citicorp O'seas Fin. Gtd. Fltg. Rate Nts. 1994 $15
Hoskyns 1.65p
Leeds Permanent Bldg. Society Fltg. Rate Nts. 1998 £183.39
NKK 5.3% Bds. 1999 Y135,444
Do. 5.4% Bds. 2000 Y138,000
Safeland 0.06p
Santander Fincl. Issuances Sub. Undated Var. Rate Nts. $2,773.44
UK 2% Index-Linked Treas. 1996 £2.04
Woolwich Bldg. Society 8% Nts. 1994 $400

■ WEDNESDAY MARCH 17
BP Cap. BV 8⅛% Gtd. Nts. 1994 $912.50
Bradford & Bingley Fltg. Rate Sub. Nt. 2005 £19,772.26
Export-Import Bank of Japan 8½% Gtd. Bds. 1999 $475
Local Authority short-dated bds. 10¼% 1993 £5.2935
Nippon Light Metals 5.3% Bds. 1998 Y135,444
Co. 5.3% Bds. 2000 Y143,111

■ THURSDAY MARCH 18
Gold Intl. Fin. Tranche A Fixed/Fltg. Rate Sec. Nts. 2002 Y1,405,555
Japan Airlines 5.6% Bds. 2003 Y143,111
Lon. Scottish Bank 2.05p
MBL Fin. (Curacao) Ser. 9 8⅞% Gtd. Bds. 2003 $40,104.17
Do. Ser. 12 7⅛% Gtd. Bds. 2006 $33,447.92
Nationwide Bldg. Society Sub. Fltg. Rate Nts. 2000 £202.50
Pfizer $0.42
Rustenburg Platinum R0.625
Sumitomo Chemical 6.4% Bds. 1999 Y640,000
Witan Inv. 2.9p
Woolwich Bldg. Society 10¼% Nts. 1993 £102.50

■ FRIDAY MARCH 19
American Intl. $0.14
Border TV 1.3p
Christiania Bank og Kreditkasse Reverse Fltg. Nts. 1997 $1,141.64
Elandsrand Gold R0.35
French (Thomas) 2.175p
Genbel Invs. R0.15
Inco $0.10
Leeds Permanent Bldg. Society 6⅜% Nts. 1993 Y63,750
Primadona 2p
Ransomes 5½% Cm. Pf. 1.925p
Singapore SESDAQ Fd. $0.03
Southvaal R1.40
Thames Water 9½% Cv. Sub. Bds. 2006 £237.50
UK 11½% Treas. '01/04 £5.75
Vaal Reefs Exploration R6.10
Western Deep Levels R2.10

■ SATURDAY MARCH 20
UK 10½% Exch. 2005 £5.25

A timely tip for manufacturers

By Andrew Baxter

Sir Alistair Frame, a former denizen of boardrooms from RTZ to tba old Davy and now chairman of both British Steel and Wellcome, has an urgent message for fellow chairmen and chief executives: take some time out from running your companies.

Sir Alistair, who is chairman of the CBI's 15-month-old National Manufacturing Council, is not suggesting they should quit their posts *en masse*. Rather, he says, they need to find space for thinking about new ideas.

Whatever the distractions of running their companies in tough conditions, there should always be time, he says, to learn from the experiences of other UK companies, and from successful manufacturing companies overseas.

As the first signs of light emerge for recession-bound UK manufacturers, and the government talks of industry taking advantage of sterling's devaluation to boost exports, the issue of the UK's manufacturing effectiveness becomes increasingly important.

The point is not lost on tha council, which is perhaps best known for its role as one of the many organisations lobbying the government on the importance of providing the right environment for manufacturing industry to flourish.

That, says Sir Alistair, is going reasonably well, but is one of only four key tasks that the council has set itself. The others are to improve the relationship between industry and the financial world, in particular the City; to improve the image and status of manufacturing industry across society; and to lobby businesses to improve their competitiveness.

Surprisingly, perhaps, Sir Alistair believes this internal lobbying process is the most important, focusing as it does on issues such as how industries can improve their service to customers, marketing, innovation, product quality and other ingredients of competitiveness.

Getting all these things right is the route to what is commonly called "world class" manufacturing. But the consensus among observers of the UK manufacturing scene seems to be that, while all the brightest ideas in manufacturing can be found in use in the UK, they are not applied nearly frequently enough.

Sir Alistair: urges time for thinking

That was borne out by a survey last month co-sponsored by the Design Council and EDS-Scicon, the biggest UK information technology services company. This found that less than half of UK manufacturing companies claim to practise concurrent engineering, a process which cuts product development times by enabling design and manufacturing to take place simultaneously.

Clearly, an important way to spread the word about new methods in manufacturing is for companies to share their experiences.

The evidence suggests larger companies are more confident about doing that without always worrying that they are giving away commercially sensitive information. But the council is hoping to attract companies of all sizes to a series of seminars beginning next month, at which executives from different companies can learn from each other.

Sir Alistair will also be addressing a conference called Winning the Market – Industry on the Move, on April 28 and 29, organised by the Institution of Mechanical Engineers.

The conference, to be held at a hotel in Hertfordshire, will be similar to the well-attended Cambridge Manufacturing Forum series in the 1970s. Senior European industrialists will be examining the importance of understanding and developing markets, the coherent integration of marketing, design and manufacturing, and the management of technological advantage and innovation.

John Willman reports on new opportunities for service companies to bid for government contracts

What's up for grabs?

Opportunities to sell business services to a customer with a triple-A credit rating are rare in the present recession. The UK government's programme to put £1.5bn of civil service work out to tender has therefore excited widespread interest among service companies in the UK and abroad.

Two conferences staged by the Cabinet Office Efficiency Unit to sell the programme to business (the most recent on Friday) have each attracted 500 executives to learn more about the work being market-tested and how to bid for it.

Bidding for government contracts is a well-established part of business for companies in the defence industry. And service companies in fields such as office cleaning, catering, security guarding and printing have been winning contracts from government departments, local authorities and the health service since the start of the 1980s.

But the government's latest programme of market-testing represents a 50-fold increase in its contracting-out programme.

For the first time, core civil service activities such as collection of statistics, management of government computer facilities and fishery protection surveillance operations are to be put out to tender. And many more support services are on offer, including payroll, audit, accountancy, office services and legal advice. Many are advertised in the press; alternatively, companies can find out what work is available by contacting government ministries or the Efficiency Unit.

There is also a drive to attract small and medium-sized enterprises into the market, since ministers are keen to stimulate competition for contracts.

According to the Efficiency Unit, more than 300 of the 350 contracts on offer in this first round of market-testing involve fewer than 200 jobs – and 83 currently employ less than 10 people.

Executives attending the Efficiency Unit conferences have been keen to know more about what would be expected of them and if previous experience in contracting for government will be necessary.

According to Ian Williams of the Efficiency Unit, those in charge of awarding contracts will be looking for reliability, quality of staff and a track record in providing the sort of services out to tender.

Competing bids will be judged on three sets of criteria:

- Capability – has the bidder the people and skills to do the job? Particular attention will be paid to the management and supervisory back-up to be provided.
- Technical assessment – whether the bid meets the requirements set out in the specification. BS5750 – a quality management standard – will not generally be a requirement.
- Financial standing – the robustness of the bid given the commercial and financial strength of the company.

A common concern among potential bidders is that there will be an element of bias towards the in-house team, which will normally be competing to retain the work. Sir Peter Levene, the government's efficiency adviser, says great efforts have been made to ensure there will be "fair and open competition" for contracts.

Those responsible for drawing up contract specifications and evaluating bids will be separated by "Chinese walls" from tha staff currently doing the work. New costing guidance has been drawn up to ensure that in-house bids fully reflect overheads and start-up costs.

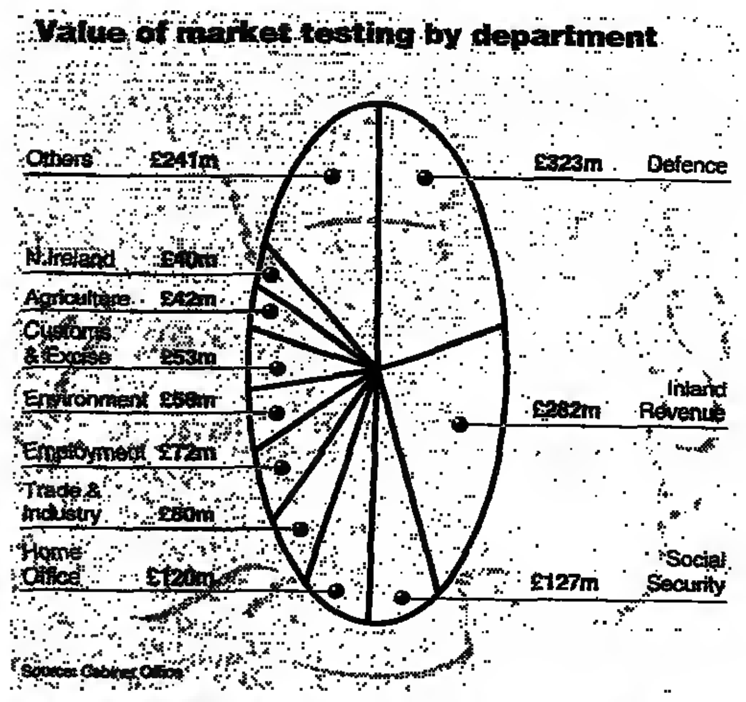
The responsibility for ensuring fair play will ultimately lie with the National Audit Office, the government expenditure watchdog, Sir Peter says.

Another concern is whether contract specifications will be too rigid to permit contractors to develop new and more flexible approaches to doing the work. "Bidders will be encouraged to offer innovative or novel proposals," according to Ian Williams. "The successful bidder's proposal, as modified during discussions, will form part of the contract document."

Winning the business will not be the end of the process, however. Extensive arrangements will be put in place to check quality standards and monitor services – including random checks, regular inspections and audit of complaints.

A second round of market-testing will be launched by the Efficiency Unit in the autumn, with at least a further £1bo of business put out to tender.

Value of market testing by department



Source: Cabinet Office

Tupe or not Tupe...

Could it be the Thatcherite nightmare is coming true? That British legislation to promote the free market in the UK, namely Compulsory Competitive Tendering in local and central government, is being thwarted by European legislation to protect the rights of workers, namely the transfer of undertakings regulations?

The UK's transfer regulations, known as Tupe, stem from the EC's 1977 Acquired Rights Directive which was designed to protect some employee rights when businesses or undertakings are transferred from one employer to another. The government insists Tupe will rarely apply to contracting-out, while trade unions and many lawyers insist it will invariably apply – making it harder for private business to make money on government contracts by cutting the wages bill. Private contractors want clarification on their potential liabilities before tendering.

The government has been lobbying hard in Brussels for the directive to be revised to exclude contracting-out. But the UK is unlikely to get what it wants unless the unions abuse the leverage Tupe seems to give them or unless a wave of retrospective Tupe claims are unleashed.

There are two important questions about Tupe: what do the regulations require and when do they apply? Both questions are difficult to answer definitively.

The regulations insist staff cannot be dismissed as the result of a transfer, although it may be possible to dismiss people soon after for other reasons. The regulations also insist terms and conditions of employment cannot be changed without consent and collective deals and union recognition must be carried over.

There is less clarity about two further things – whether pension terms can be altered and how long the previous employment conditions must be maintained. The Acquired Rights Directive specified a period of one year but that was not mentioned in the UK's Tupe regulations.

When the regulations apply depends on the definition of a "transfer" and an "undertaking". To take two extremes, the regulations would normally apply if a contractor was employing substantially the same staff as before on the same premises with the same equipment. The regulations would not normally apply if the contractor employs none of the existing staff and conducts his operation at different premises with his own equipment.

Recent judgments at the European Court of Justice suggest EC judges favour a broad definition of both a transfer and an undertaking which would capture a broad range of the services currently being prepared for contracting-out. It is even possible to be caught when a council or government department terminates its existing service and buys in a new service.

In general terms manual worker operations are more likely to be caught by Tupe than white collar administrative functions. That is unfortunate for contractors as manual operations are usually easier to save money on through job cuts and wages are usually more generous than the private sector.

What are the solutions? Contractor lobby groups believe Tupe will have a greater effect than the government has admitted.

But the lobbyists believe that even without legal clarity there are things that could be done. Departments could slim down and reorganise prior to contracting out, althoogb that might still transgress the regulations and seems unpopular with the government. The government could indemnify companies against Tupe-imposed costs or extend cootract periods to make it easier for companies to recoup tha extra costs.

Alternatively public authorities should be required to make a "realistic" return on capital on services such as cleaning. The current requirement for cleaning is 5 per cent which allows them to pay wages on average 10 per cent above the private sector.

But according to John Hall of the Cleaning and Support Services Association the preferred, but oot foolproof, method of Tupe evoidance for companies will be the refusal to take on existing staff unless they agree to changes in their terms and conditions.

David Goodhart

CONSTRUCTION

Opencast mining scheme

British Coal has awarded WIMPEY MINING a contract worth nearly £20m for opencast mining and land reclamation near Durham. Working on the site of a former deep mine at Rye Hill, Wimpey will be recovering 1.2m tonnes of coal over a three year period, some of which will be recovered by washing 3m tonnes of waste material from a disused colliery tip on the site. The coal will be delivered to British Coal's Wardley disposal point.

Power station

JOHN MOWLEM CONSTRUCTION has been awarded a contract for the Peel 'B' power station, Isle of Man, by the Manx Electricity Authority.

The turnkey contract, worth over £19m, is for the design and construction of a diesel-engined power station which will eventually replace Peel 'A'.

Shopping centre

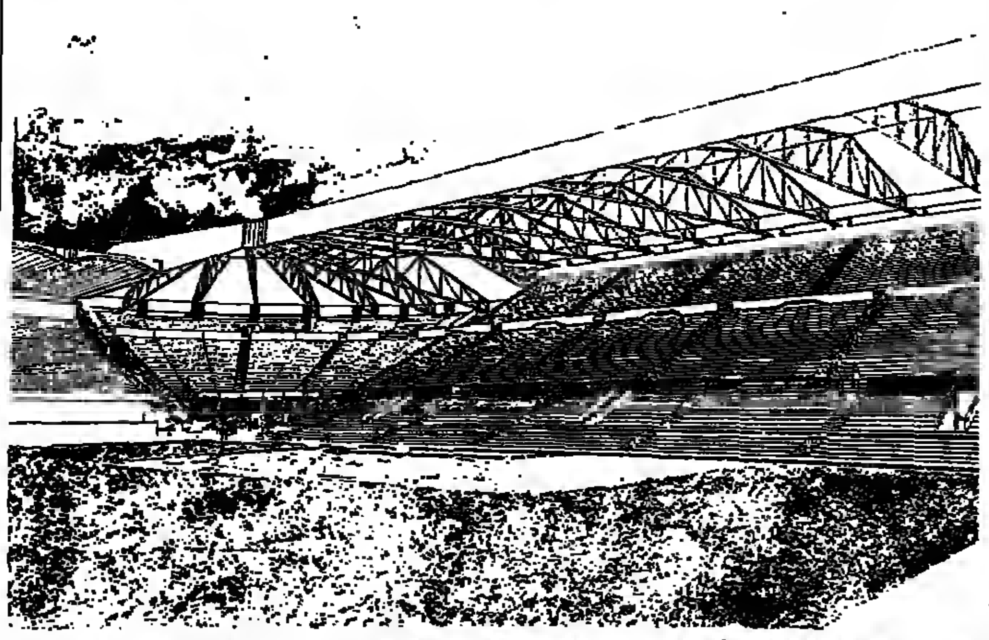
Five contractors have been asked to tender for a major upgrading at LAND SECURITIES' 230,000 sq ft Ards Shopping Centre, Newtownards, Northern Ireland.

Works will include refurbishment and a 36,000 sq ft extension providing seven new shops together with an 8,000 sq ft anchor store.

Oil production

A joint venture of FRANKLIN & ANDREWS and TENMARECS of Norway, has been appointed by Conoco Norway Inc on the Heidrun project. Services include quantity surveying and fabrication measurement, covering the construction of the topsides modules at four yards in Norway and one yard in the UK.

Newcastle stadium project



The redevelopment of Newcastle United FC's north stand (pictured above) at St James's Park has begun following the award of a £5.6m design and construction contract to the BALLAST NEDAM CONSTRUCTION company.

The redevelopment calls for replacement of the 4,000 standing capacity with a new stand and two wrap-around stands to the east and west of the new stand which will provide seating for approximately 11,100 people.

The main structure will be built in steel which will support the pre-cast concrete terrace deck, stair and wall components.

Building jails in Pennsylvania

TRAFALGAR HOUSE CONSTRUCTION INC, a Pittsburgh-based company, has won two contracts worth £47m (US$65m) for jails in Pennsylvania.

The largest is a £40m (US$55m) subcontract to build the main structure for the new Allegheny County Jail, Pittsburgh.

Work has recently commenced on the building which will be 16 storeys at its highest point and will contain 1,800 cells. The company must complete the main structure and cast the cells by the end of this year so that other subcontractors can begin installing detention systems and mechanical and electrical works. Four tower cranes will be used to ensure that this demanding construction programme is met.

Once the main structure has been erected, work will begin on the jail's brick and curtain wall exterior and finishes to the 975,000 sq ft interior, including the installation of security ceilings, painted block walls and epoxy coated floors. Completion is scheduled for 1995.

Work has also commenced on a £7m (US$10m) contract to construct a two-storey county jail in Erie. Trafalgar House Construction Inc is demolishing a building and clearing 17 acres of woodland before carrying out a cut and fill operation. The 175,000 sq ft building will contain 200 cells when it is completed at the end of this year.

Office development plan in Zimbabwe

A joint venture between COSTAIN (AFRICA) and JOHN SISK & SON (PVT) has been awarded a contract by Old Mutual Properties for a major office development in Harare, worth £24m.

The project, which is believed to be the largest of its kind in Zimbabwe, includes 26,000 sq metres of office space in two identical blocks, separated by an eight-storey atrium, which will provide an American-style indoor shopping mall, with more than 50 shops. The development includes an unusual passive ventilation system, which will provide comfortable conditions within the building, without resorting to air conditioning.

The scheme, developed by the architect, Pearce Partnership and engineers Ove Arup & Partners, uses the concrete structure of the building to produce cool air.

The Costain-Sisk joint venture has reduced the anticipated construction programme by offering an alternative design for the substructure works. This allows the two-storey basement car park to be constructed using a bored pile perimeter retaining wall, which will be geonailed back to the surrounding soil to give temporary lateral support whilst the permanent construction is under way.

Work on the development is scheduled for completion in 34 months time.

PEOPLE

Bruce: from the frying pan into the fire

David Bruce, who quit as head of finance and administration for the London Stock Exchange shortly after Peter Rawlins arrived as chief executive, has accepted the same job at an even more troubled City institution, Lloyd's of London. His appointment represents the final step in a process of streamlining of senior management initiated by new Lloyd's boss Peter Middleton.

The head of finance, John Gaynor, took early retirement at the age of 57 at the end of last year, and the head of administration, Bob Woodford, retires at the beginning of April at the age of 62 after five and a half years in the job. The two jobs have now been combined, leaving just four senior executives – the other three responsible for regulatory services, marketing services, and systems and operations – reporting to Middleton.

Bruce, 46, moves from Guinness Mahon, where he had been finance director since 1990. An old Etonian, his first years in the City included spells at Peat Marwick and Cazenove. He got an early taste of Lloyd's when serving on the Wilson Committee set up in 1977 to review the City. He says he "mugged up" on the market before it was decided that Lloyd's should be studied by a separate commission.

In 1979 he moved to Royal Dutch Shell, ending up as treasurer and controller of Shell UK, before moving to the stock exchange in 1986. Passed over as chief executive, he left shortly afterwards; the finance department was subsequently thoroughly overhauled. Rawlins, chosen in his stead, resigned last week over the Taurus fiasco.

Ritchie switches off from Tyne Tees TV

Ian Ritchie is this week leaving his post as Tyne Tees Television's managing director, following his decision not to stand for re-election as a board member of Yorkshire-Tyne Tees Television Group at Friday's agm in Leeds.

Ritchie will be succeeded as Tyne Tees managing director by John Calvert, currently the group director of personnel. No announcement has yet been made on who is to fill Ritchie's other role of group deputy chief executive.

Although Ritchie's departure has been officially described as amicable, insiders say it reflects tension within the group over the extent to which Tyne Tees TV, headquartered in Newcastle, could maintain its autonomy following last year's merger with its larger Leeds-based neighbour, Yorkshire Television.

A week before Friday's AGM, an executive board meeting of the group discussed plans for a radical restructuring, under which Tyne Tees would have played a much more subsidiary role within the merged company. "That was the final battle at which Ian lost the war," said one insider.

He said he had understood the Independent Television Commission's support had been sought for the restructuring, but it had said it could only comment once plans had been implemented.

Yesterday, however, Yorkshire Television firmly denied that it was running down the Tyne Tees operations and dismissed suggestions that Mr Ritchie had left after disagreements with Mr Clive Leach, Yorkshire-Tyne Tees managing director.

"Tyne Tees will continue to have a strong production base," the company said, adding that nothing would be done "that would affect the licence commitment of the company, or the commitments given at the time of the merger".

Yorkshire and Tyne Tees were among the highest bidders for franchises in 1991, paying £37.7m and £15m respectively – a combined weekly payment of more than £1m. Last November the group announced 292 job losses, at that time nearly a quarter of the combined workforce.

Calvert joined Yorkshire Television as director of personnel in August 1988; previously he was director of industrial relations for the ITV network, based in London. He became a director of Yorkshire Television Holdings in 1989.

Constructive careers

Costain, the struggling construction and mining company, has opted to promote its internal candidate, chief financial officer Alan Lovell, to the position of finance director following an outside search to fill the job vacated by Tom Slee at the end of last year.

Group chief executive Peter Costain says the headhunters short-listed three outside candidates. "We wanted to test the market because Alan had only just started at the time. But in his four months with us he has impressed all those working with him, including the banks." He reports that the other candidates available amounted to "a very good selection."

The sale of Costain's Australian coal mining interests has been interrupted by complex legal proceedings in the US, in turn raising a questionmark over the group's recent refinancing arrangements which are consequent on the sale.

Lovell, 38, joined from Conder Group, where he had been chief executive for five months before the company went into receivership last autumn. He had been at Plessey between 1980 and 1989, in a series of positions, including as finance director of Plessey Avionics. In 1985 he was seconded to the corporate finance department of Kleinwort Benson, working on the defence of Plessey against the first GEC bid.

- George May, md of Costain's civil engineering division, and Mike Quirke, md of the construction and management divisions, have been appointed directors of COSTAIN Engineering & Construction.
- Paul Fiello, md of TAY HOMES Midlands, has been appointed to the main board.
- Jim Ratliff, formerly a director of DHV Burrow-Crocker, and Keith Cullen, formerly a principal with Pace, have been appointed directors of PSA Projects, a subsidiary of TARMAC.
- Scott Steedman has been appointed director and divisional chief executive of Sir ALEXANDER GIBB & Partners' geotechnical division.

The Palais du Chaillot, which houses copies of decorative elements from buildings all over France

Architecture/Colin Amery

Parisian cathedral of culture

I do not often sit down to a candlelit dinner in a French cathedral but last week I had the opportunity, between mouthfuls of lamb and couscous, to study the Romanesque sculptures of the cathedral of St Lazare at Autun. At the same time I was able to contemplate the outstanding 12th-century carvings of the tympanum of the Vision of the Apocalypse at the abbey church of Moissac; and I scarcely had to turn my head to see the remarkable relationship between architecture and sculpture at the basilica of St Madeleine at Vézelay. Within reach of my table were the slender sculptures from Chartres as well as columns, capitals, chancels and Carolingian concelts from all over France.

I was, of course, in a cathedral of culture, at an elegant Parisian event to mark the re-opening of the Musée National des Monuments Français at the Palais du Chaillot. The story of this museum goes back to the 1880s when the architect Eugène-Emmanuel Viollet-le-Duc (1814-1879) had the idea that the French public should have the chance to see, in Paris, the high points of French architecture and sculpture of the Middle Ages. He put together this remarkable assembly of cast copies of important elements of buildings in what was then the new Palais du Trocadéro, which had originally been designed by the architect Davioud for the Paris Universal Exhibition in 1878.

The display was always intended to be didactic, offering the visitor the opportunity to make comparative analyses of stylistic developments. Viollet-le-Duc was a scholar and historian and his architectural activity consisted principally of repair and restoration, including work on monuments including Notre Dame and the Sainte Chapelle in Paris. He wrote a dictionary of French architecture and this museum is an effective monument to his conviction that architects can and should learn from the past. He saw the parallels between Gothic structures and the development of 19th-century engineering.

As the original progenitor of the museum, Viollet-le-Duc would have approved of the way it has suddenly taken on a new lease of life. The original Trocadéro was transformed in 1937 by the architect Carlu into the Palais de Chaillot, as the centrepiece of the Paris Universal Exposition of that year. Today these former exhibition buildings gather around the steps and stylish fountains of the Trocadéro, paying homage to the Eiffel Tower. They remain resolutely of the 1930s and provide an extraordinary contrast to the architectural collections housed there.

For a long time the casts have been seen as little more than dusty relics, stranded in the 1930s splendour of the Chaillot. It has taken the dramatic energy of M. Jack Lang and his ministry of education and culture to see the potential of this important museum. It has also taken an enormous amount of work and inspiration from the young curator – M. Guy Cogeval, who came here from the Louvre; in only six months he has achieved a considerable transformation.

It begins in the new entrance hall which has been designed by a young architect, Jean-Christophe Denise. This is a handsome light space in the spirit of Carlu. It has a most stylish café-restaurant with a marvellous view of the fountains of the Trocadéro and the Eiffel Tower (the furniture is based on Carlu's original art deco designs); there is also a new bookshop. The clean lines of this hall provide a cool setting for the four giant fragments of the reproduction of the sculpture – "la danse de Carpeaux" – originally created by Paul Landowski in 1931. These look dramatic and surreal, mounted at a high level on large plinths.

The hall is accessible to all visitors to the museums in the Palais du Chaillot, including those of the theatre and cinema. (The Musée du Cinéma is likely to enjoy a close relationship with the renovated Musée national des Monuments Français because of M. Guy Cogeval's great interest in film and his plans to create events that explore both the plastic and the cinematic arts.)

To visit the great halls upstairs that house the maquettes, casts and models is a thrilling experience, although in time the displays will probably be reordered and captioned to make them both more instructive and more enjoyable. M. Guy Cogeval is anxious to make more of the amazing collections of topographical and architectural photographs stored here. They will form part of the large programme of temporary exhibitions.

The first exhibition to be held is called "Marseille à Paris", a version of the very successful exhibition held in Marseille. Its subject is the city in the 19th century, considering both the physical character of the changing city and the artistic activity within it at the time. A large variety of artefacts ranging from contemporary models and maps to paintings and plans, drawings and sculptures is displayed to convey the commerce and creativity of one entire city at a peak moment of its growth. (The installation here is sometimes inevitably in conflict with the permanent installation of the museum, but in 1994 there will be a full-scale temporary exhibition space.)

Marseilles grew and prospered in the 19th century, its artistic flowering as aesthetically mixed as any other city at the time. It is probably right to show the whole range so that comparisons of quality can be made. Relatively unknown history painters are shown as seriously as old masters, and posters and plans rub shoulders with fine drawings. It is a complex and dense exhibition, giving a sense of a city touched by the exoticism of its African trade yet solidly rooted in the Second Empire in its architecture and monuments.

The renewal of this museum in Paris is important for the broadening of our architectural culture. It will take a lot of imagination to build on the solid foundations of the unique collection. The resurrection has just begun, but I am sure M. Cogeval will ensure that it continues with both scholarship and excitement. It is a museum to watch.

Opera in Zurich/Andrew Clark

Weber's 'Der Freischütz'

The Ruth Berghaus fan club is growing – if you judge by the number of continental opera house managements playing along with her theatrical riddles. The east German director's footprints are now so commonplace that the novelty value of her pioneering west European productions has given way to predictability, in the way she approaches each work and the extreme reactions she provokes. But the new staging of *Der Freischütz* at the Zurich Opera House was different, if only because she was working for the first time with Nikolaus Harnoncourt.

Harnoncourt has been searching for a compatible operatic partner ever since the death of Jean-Pierre Ponnelle, with whom he worked so profitably on Zurich's Monteverdi and Mozart cycles. On the surface, Berghaus and Harnoncourt have something in common. They approach the work in hand without preconceptions based on tradition or received opinion. Both are a fund of stimulating ideas and insights, and both challenge you to think: there is never a dull moment. Nor can you ignore the exactness of observation and execution they bring to everything they do.

There the similarities end. Where Berghaus uses each opera as a floor for her own theatrical fantasy, Harnoncourt's priority is reading the composer's mind – based on textual fidelity. Rarely can Weber's early Romantic score have sounded less folksy-sentimental or so expressionist. The music emerged full of unvarnished timbres, unexpected instrumental voices, sudden impulses and unsettling harmonies. You hear what Wagner heard in Weber, the Wolf's Glen scene providing a clear pre-echo of Alberich's "Hörst du, Hagen, mein Sohn?". None of the tempo extremes were gratuitous: even the beautifully still opening to "Leise, leise" seemed to heighten the music's inner tension.

Harnoncourt's 'Freischütz' lies somewhere between heaven and hell; Berghaus's is all hell

Above all, Harnoncourt reminds us that the *Freischütz* of Weber and Kind lies somewhere between heaven and hell. Berghaus's *Freischütz*, by contrast, is all hell – a nightmare vision of humanity. The devil-figure of Samiel is ever-present, dancing across stage at the start of each scene in the same black hat and cape as the rest of the cast. The Hermit and Ottokar have no identity other than as spokesmen for church and state within a drab Brechtian society. There is no forest, the action unfolding instead against a background of abstract panels (designed by Hartmut Meyer). Nor is there a glint of hope: in the final scene, the people brush themselves clean from the preceding unpleasantness, as history prepares to repeat itself.

All this tells us more about Berghaus, her political beliefs and theatrical influences, than it does about *Freischütz*. As usual, she has nothing to say about individual characters, and the Wolf's Glen – Weber's masterstroke as a musical dramatist – is flattened into a series of pretentious choreographic routines. After Achim Freyer's landmark Stuttgart production of the early 1980s, it would be a poor soul who wanted to return to *Freischütz* with stage extras dressed up as wild boars. But with Berghaus, the drive to demythologise *Freischütz* as one of the great German cultural emblems goes too far.

Matti Salminen's Kaspar dominated the Zurich cast with his giant figure and bear-hug of a voice, probably too generous in timbre for the role. Reiner Goldberg's Max, playing a bookish Faust to Salminen's grandiose Mephisto, sounded like someone who has sung a part too often. Inga Nielsen was a cool Agathe, Malin Hartelius a pretty, unsoubrettish Aennchen.

In repertory until March 27

The Wolf's Glen scene in Ruth Berghaus's production

Theatre/Malcolm Rutherford

Squirrels

Sara Kestelman

David Mamet's short comedy at the King's Head in Islington is a gloriously superficial play on words and meanings, here magnificently performed by the cast of three. Whether it would stand up to acting and direction any less good must be open to doubt, for I am beginning to think that the best of modern American theatre depends on style and playing rather than writing and substance. John Guare's *Six Degrees of Separation* comes to mind.

Squirrels is about writer's block, or at least that is the ostensible subject. It could be equally about anyone losing their grip on words, memory and associations and picking them up from other people, except that it is pitched at quite a high intellectual level. It is like Harold Pinter, with more wit and less menace, and played faster.

The writer with the block is called Arthur. Was this a dig at Arthur Miller before his Indian summer? There must be *some* association here. Anyway, this Arthur is a short story writer. Played by Edward Petherbridge (no less), he is in search of a symbolic story involving squirrels (or perhaps just one) in New York's Central Park. The pursuit has been going on for some 15 years.

"The squirrel," says Arthur's young assistant (Steven O'Shea), "is a potentially non-representational animal." The real question, however, is whether a squirrel has guts, and the question behind the question is whether Arthur can put guts into his story.

They try it on the drawing board. They try the opening sentences over and over again, the assistant gaining an increasingly assertive role. There is also the influence of the cleaning woman (Sara Kestelman) who has writing aspirations of her own. In the end, squirrels get nowhere: Arthur turns to geese, but not without diversions along the way. There is a marvellous line about a lady walking in Central Park who has forgotten to feed her Doberman for three weeks.

In the meantime, we have been through quite a lot of literary theory. "What is a metaphysical restaurant?" "Oh, it's just an idea really." "What does it mean?" "To me, or in general?" And so it goes on, gently, lightly, amusingly.

The cast is terrific. The key to Petherbridge's Arthur is not that he has given way to drugs, cosmic boredom or anything like that: he has genuine writer's block. The blank sheet of foolscap can begin to fill him with fright. As his assistant, O'Shea has no special hang-ups either. He is a literature graduate who just wants to write: at the start he even wears his college tie, (Arthur being in a base ball cap). Ms Kestelman does a lot of her playing by looks: sometimes quizzical, sometimes inviting, always captivating, permanently sure of herself. This is not the kind of part that would come from a British writer. She appears utterly classless, and no one comments.

Mamet's new play *Oleanna*, about academic sexual harassment, will be presented at the Royal Court in June directed by Harold Pinter. The mouth waters.

King's Head
Islington, London
for six weeks.
(071) 226 1916

Music/David Murray

Radiant Ravel

Except in the most ingenious and tactful productions *L'Enfant et les Sortilèges*, the "fantaisie lyrique" Ravel wrote with Colette, is rarely as enchanting on stage as it can be in concert. Colette's little moral fable animates such a variety of things – chairs and crockery, birds and beasts, wallpaper and the fire on the hearth – that the stagecraft may detract from the radiant tenderness of the score.

On Friday, Simon Rattle and his City of Birmingham Symphony brought it off charmingly in the Festival Hall. Elise Ross sang an appealing Child, neither too winsome nor too fretful, though "Toi, le coeur de la rose" can never be simple enough (and wasn't here). Lillian Watson made a gracious Princess, though in quite unintelligible French; and was it her choice or Rattle's to take the Fire's music so slowly? No sparks there; the Ashes who swallow her up were more effective, with a good chamber choir from the Welsh College of Music and Drama.

The rest of the personnel, doubling and tripling roles as required, were first-rate. In even more roles than that, Christine Cairns was delightful, starting with reproachful Maman; the duet of her Chinese Cup and Peter Hall's Wedgwood Teapot was both magical and funny. Mary King and David Wilson-Johnson yowled the X-rated Cats with high relish (and uncommon accuracy, too).

The other sub-principals, Lynda Russell and David Thomas, were no less in the spirit of the thing, and Rattle – once past a rushed opening (the winding oboes were too sprightly to suggest the right static torpor) – lit up many pages of the score: a tripping beat in the shepherds' music, a haunted garden-vista with night birds (the muttering animals a touch too loud, though), an elegant dragonfly ballet.

This fetching performance deserved a fuller house. Perhaps the first half of this "Toward the Millenium" programme failed to entice: middle-period Frank Bridge, and his 14-year-old pupil Benjamin Britten. Bridge's *Enter Spring* is bright and well-made, very much of its period, and thoroughly English in its gait and manner despite all its Debussyisms. Somehow it has never seemed to take a firm hold on concert-goers' imaginations: *too* sturdily made, perhaps.

As for Britten's Four French Songs, delicately limned here by Lynda Russell, they are precocious and eclectic, but too jerry-built to be satisfying rather than "interesting". It does the composer no service to pretend that they belong to the real Britten canon – they are curiosities, not grown-up concert fare.

Festival Hall, London

INTERNATIONAL ARTS GUIDE

■ BERLIN

CONCERTS

Philharmonie The Berlin Philharmonic's concerts this week and next are conducted by Pierre Boulez, whose only previous engagement with the orchestra was a single concert 32 years ago. This week's programmes (Wed, Thurs, Fri) are devoted to Bartok's Miraculous Mandarin and four short works by Ravel, followed next week by Stravinsky, Webern, Debussy and more Ravel. Other events this week include a piano recital tomorrow by Krystian Zimerman, and the San Francisco Symphony Orchestra's Copland and Bruckner programme on Sun, conducted by Herbert Blomstedt (2548 8232)

Schauspielhaus This week's highlight is the programme of Schubert and Bruckner symphonies to be conducted by Gunter Wand on Sat, Sun and next Mon, with the Berlin Radio Symphony Orchestra. Other events include a Berlin Symphony Orchestra performance of Haydn's Seasons tomorrow with soloists Edith Wiens and Robert Gambill, The King's Singers on Thurs and a BSO concert on Fri conducted by Michael Schoenwandt, featuring Boulez's Pli selon Pli (2090 2156)

OPERA/DANCE

Staatsoper unter den Linden Tonight: Zar und Zimmermann with Kurt Moll. Tomorrow: Salome with Karen Huffstodt. Wed and Sat: Egon Bischoff's production of Swan Lake. Thurs: Janufa. Fri: Die Zauberflöte. Sun: Aida with Mara Zampieri. April 2: first night of new production of I Capuleti e I Montecchi (200 4762)

Deutsche Oper Tomorrow and Sat: Valery Panov's production of Prokofiev's ballet Cinderella. Wed and Sun: Mathis der Maler. Thurs: Gounod's Faust. Fri: Zar und Zimmermann. March 31: Baltsa sings Carmen (341 0249)

Studio Babelsberg March 23-27: Impressions de Pelléas, Peter Brook's Debussy adaptation (Berliner Festspiele 254890)

THEATRE

Wessis in Weimar, Rolf Hochhuth's controversial new play about west German arrogance towards the former Communist east, has had its run at Berliner Ensemble extended till March 27 (282 3160). Deutsches Theater Kammerspiele is showing the German stage premiere of Howard Brenton's Berlin Bertie (2844 1226). The repertory at Volksbühne am Rosa Luxemburg Platz includes King Lear, Anthony Burgess' stage adaptation of Clockwork Orange and Ibsen's Enemy of the People (282 8978)

■ NEW YORK

THEATRE

● The Goodbye Girl: Bernadette Peters and Martin Short star in a new musical adapted from Neil Simon's 1977 film (Marquis, Broadway at 45th St, 307 4100)

● Putting It Together: a celebration of Stephen Sondheim's music, with Julie Andrews (Manhattan Theatre Club at City Center, 131 West 55th St, 581 1212)

● Forbidden Broadway 1993: new edition of Gerard Alessandrini's Broadway parody, as funny as before (Theatre East, 211 East 60th St, 838 9090)

● Someone Who'll Watch Over Me: Alec McCowan as one of three Beirut hostages in Frank McGuinness's moving and humorous play (Booth, 222 West 45th St, 239 6200)

OPERA/DANCE

Metropolitan Opera Tonight and Fri: La fanciulla del West with Carol Neblett (tonight) and Ghena Dimitrova (Fri). Tomorrow and Sat afternoon: Elijah Moshinsky's new production of Ariadne auf Naxos, with Jessye Norman, Susanne Mentzer, Thomas Moser and Thomas Stewart. Wed and Sat evening: Cav and Pag with Domingo. Thurs: La traviata with Tiziana Fabbricini (also March 22, 26, 31, April 3, 8). March 24: opening of Ring cycle (362 6000)

State Theater Dance Theatre of Harlem opens a two-week season tomorrow, with repertory including Smuin's Songs of Mahler, Ailey's The River and a revival of Creole Giselle (870 5570)

City Center Merce Cunningham Dance Company daily till Sun (581 1212)

CONCERTS

Avery Fisher Hall Wed, Thurs, Fri: Kurt Masur conducts New York Philharmonic in three different programmes, including works by Brahms, Dvorak, Mozart and Strauss, all of which are featured on the orchestra's forthcoming European tour. Sat: Alfredo Kraus and June Anderson sing opera arias with New York City Opera Orchestra. Sun: Roger Norrington conducts Orchestra of St Luke's in all-Haydn programme (875 5030). Sun afternoon at Alice Tully Hall: Juilliard Quartet plays Haydn, Bruckner and Dvorak (875 5050). Sun at New York Town Hall: Julian Lloyd Webber cello recital (123 West 43rd St)

Carnegie Hall Tonight: Oratorio Society of New York sings Dvorak's Saint Ludmilla. Tomorrow: Wolfgang Sawallisch conducts Philadelphia Orchestra in works by Weber, Beethoven and Strauss, piano soloist Maurizio Pollini. Wed: The Chieftains. Sat: Christa Ludwig song recital. Sun afternoon: American Composers Orchestra plays William Schuman's Eighth Symphony. Next Mon: Viktoria Mullova is violin soloist with Cincinnati Orchestra. March 27: Pollini recital (247 7800)

■ PARIS

OPERA

Palais Garnier Tonight, Wed, Fri (also March 23, 26, 30): Peter Schneider conducts Johannes Schaaf's production of Capriccio, with Felicity Lott, Ann Howells, Wolfgang Schoene and Theo Adam (4742 5371). March 24, 26, 29 at Châtelet: Barenboim/Chereau production of Wozzeck (4028 2840)

Opéra Bastille Tonight and Thurs: Myung-Whun Chung conducts Denis Krief's new production of Benvenuto Cellini, with Chris Merritt and Diana Montague (in repertory till March 31). Tomorrow and Sat (also March 23, 26, April 2): Gounod's Faust with Francisco Araiza, Barseg Tumanian and Nelly Miricioiu (4001 1616)

Opéra Comique Gounod's Mireille, with Michele Command and Maryse Castets alternating in title role. Daily except Mon and Thurs till March 25 (4286 8883)

CONCERTS

Théâtre des Champs-Elysées Tomorrow: Evgeny Kissin piano recital. Fri: Borodin Trio. Sun morning: Christian Zacharias piano recital. Next Mon: Kathleen Battle song recital. March 28, 29: Kurt Masur conducts New York Philharmonic Orchestra (4720 3637)

Châtelet Tomorrow: Dmitri Bashkirov piano recital. Wed and Fri: Emerson Quartet plays Mozart and Schubert. Thurs: Paul Daniel conducts Ensemble InterContemporain in works by Simon Holt, Stravinsky and Jenacak. Sun afternoon: Kurtag and Bartok chamber music (4028 2840)

Salle Pleyel Wed: Gennadi Rozhdestvensky conducts Orchestra Philharmonique de Radio France in Honegger, Prokofiev and Shostakovich, with piano soloist Bruno Leonardo Gelber (4561 0630)

THEATRE

Jackets: Edward Bond's 1989 tragedy, set in 18th century Imperial Japan and modern England, about youth being crushed by the imperatives of power. Production from Lyon directed by Bruno Boeglin. Till March 27 (Théâtre de la Ville 4274 2277)

JAZZ/CABARET

Lionel Hampton Jazz Club New Orleans jazz trumpeter Terence Blanchard and Quintet: music from 22.30, daily till Sat. March 22-April 3: Ann Peebles, voice of St Louis soul (Hotel Meridian Paris Etoile, 81 Boulevard Gouvion St Cyr, tel 4068 3042)

Châtelet Sat: Niels Lan Doky Quartet gives opening concert of international jazz piano week (4028 2840)

Bastille Studio March 19, 26, April 2: Patrice Caratini continues Carte Blanche series, in which a leading jazz musician devises a programme with guest artists of his choice (4001 1616)

European Cable and Satellite Business TV

(All times are Central European Time)

MONDAY TO THURSDAY

Super Channel: European Business Today 0730; 2230

Monday Super Channel: West of Moscow 1230.

Super Channel: Financial Times Reports 0630

Wednesday Super Channel: Financial Times Reports 2130

Thursday Sky News: Financial Times Reports 2030; 0130

Friday Super Channel: European Business Today 0730; 2230

Sky News: Financial Times Reports 0530

Saturday Super Channel: Financial Times Reports 0930

Sky News: West of Moscow 1130; 2230

Sunday Super Channel: West of Moscow 1830

Super Channel: Financial Times Reports 1900

Sky News: West of Moscow 0230; 0530

Sky News: Financial Times Reports 1330; 2030

Arts Guide Changes

Monday: Berlin, New York and Paris.

Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.

Wednesday: France, Germany, Scandanavia.

Thursday: Italy, Spain, Athens, London, Prague.

Friday: Exhibitions Guide.

Taken out of service

John Plender on how BR's privatisation will affect its pension plans

The politics of privatising British Rail are fraught enough as it is. But the implications for British Rail pensioners are turning out to be almost as big an irritant for ministers and officials as the restructuring of the rail system. Controversial proposals advanced by the government in January have prompted a host of anxious retired rail folk to make full use of a commodity with which they are richly endowed – time – to deluge the Department of Transport with letters and phone calls. The result is that a chastened government is preparing to beat a rapid retreat in the face of pensioner power.

The government's problem is that the railways are being privatised piecemeal. A single employer will be replaced by several employers ranging from the manager of the track-owning company, Railtrack, to the holders of franchises to run passenger services. With more than 200,000 pensioners and deferred pensioners in the British Rail pension schemes, far outnumbering existing employees, it would be difficult to allocate pensioners to the successor companies after privatisation.

Existing BR employees have been promised pension benefits in a joint industry scheme that will be no less favourable than the present arrangements. This looks reasonable enough, although it remains to be seen whether other rights such as representation on trustee boards turn out to be comparable. But the deal offered to pensioners is more controversial.

The government has offered two options. The first involves putting money into a closed scheme, where pensioners would be dependent for security on future investment performance. There would be no government undertaking to provide a continuing guarantee of either the fund's solvency or the index-linking of benefits.

The second option would, in effect, involve the nationalisation of the pensioners' money. The government would agree to pay the same benefits promised in the existing rules, rising in line with the retail price index. Further improvements in pension benefits would be ruled out. Because the government would be taking on a commitment to pay pensions in exchange for acquiring the scheme's assets, the Treasury would then have to dispose of £3.5bn of mainly equity-type investments. This would be helpful in funding a soaring public-sector borrowing requirement since it would take pressure off the gilt market. But once the marketable equities had been sold, it would leave a headache for the hapless officials required to manage a rump of less liquid investments, ranging from great tracts of Aberdeenshire to office blocks in the capital.

Neither of the two options is very palatable for the pensioners, most of whom receive very modest weekly sums from their fund. In a closed fund with no new cash flow, trustees would be obliged to run a low-risk, low-return investment policy. That is dismal news, especially for older beneficiaries on low pensions, for whom recent high investment returns have been a boon. Not only would their hopes of any uplift in benefits in future be dashed; they would also lose the security they enjoy in the present scheme. Under option two, they would enjoy full, inflation-proof security, but no uplift in benefits arising from good investment performance.

The government's problem is that a single employer – BR – is being replaced by several

On the face of it, the pensioners would be short-changed, since at present most of them enjoy both index-linking and the fruits of good investment performance. The government has nonetheless argued that the index-linking in the main BR scheme is not cast-iron. A clause in the trust deeds allows BR to wind up and distribute the funds if they fall into deficit. Yet the circumstances in which this would happen are almost impossible to conceive.

The BR schemes are not like private-sector pension funds in which the employer guarantees to meet the balance of the cost of pensions after employees have made a fixed contribution. BR and the employees share an agreed proportion of the cost of meeting the level of benefits specified in the rules. As long as BR's continuing monopoly was not in question, contributions could have been adjusted on actuarial advice to ensure that deficits were only transitory. So the winding-up clause was academic and the index-linking secure.

Officials now privately concede that the two options proposed in January are dead in their existing form. The question is whether they can be turned into something more promising. On the index-linked formula, some consideration has been given to offering an alternative to the RPI. But a link to earnings would be politically difficult after the state scheme's move from earnings-related pensions to the less costly RPI. And a notional link to the performance of the joint industry fund would raise questions about how the government would provide security for pensions.

An alternative approach now being actively pursued is to find a way of putting the pensioners into the joint industry fund alongside members still in employment. But to do this, the actuaries would have to overcome an uncomfortable demographic fact: 40 per cent of the members who are still in employment would be supporting 60 per cent who are existing and deferred pensioners. The Inland Revenue would also have to be satisfied that there were no cross-subsidies between the various employers before granting its approval. And the government would probably have to offer some kind of security guarantee.

At this stage it looks like an intellectual and political minefield. But ministers still have one possible card up their sleeves. An actuarial valuation of the fund is due on April 1 and the results will be known by autumn. They are expected to show a much diminished surplus. If that causes militant pensioners to conclude that, even without privatisation, uplifts in benefits in the existing fund would have been much rarer in the 1990s than in the 1980s, they could be more open to the government's ideas when they emerge. But at this stage all that is certain is that the saga will run and run.

Vision of peace starts to flicker

Mideast peace talks have stalled since Yitzhak Rabin's election in June, says Hugh Carnegy

When Yitzhak Rabin meets President Bill Clinton in Washington today, be will present the US leader with a symbolic – if unoriginal – statuette of the dove of peace.

Though Mr Clinton may be charmed by its elegance, many people in the Middle East may wonder whether it is an appropriate gift from a man whose commitment to push for peace in the region has been called into question since he was elected prime minister of Israel last June.

Such were the hopes and expectations that accompanied Mr Rabin's triumph over the long-dominant Likud party and its obdurate leader, Mr Yitzhak Shamir, that it was not uncommon to hear the new premier compared as an agent of change with President F W de Klerk of South Africa. Mr Rabin himself spoke of reaching within nine months a critical first-stage agreement with the Palestinians on the keystone issue of the occupied West Bank and Gaza Strip.

Now those nine months have almost passed and such a breakthrough does not seem much closer. Instead, Mr Rabin and Mr Clinton will discuss how to salvage the process of peace negotiations between Israel and its Arab neighbours begun under Mr Shamir, but which has faltered since last December.

Over the past three months, the talks have been derailed by Mr Rabin's decision in mid-December to expel summarily more than 400 Palestinians to Lebanon following a spate of killings of Israeli soldiers by Moslem fundamentalists. The shock that the unprecedented expulsions caused has been compounded by a spiral of violence in the occupied territories that has pushed casualty tolls back towards the levels of the early days of the intifada, the five-year-old Palestinian uprising against Israeli rule. So far the Palestinians have refused an invitation by the US and Russia, co-sponsors of the peace process, to reopen negotiations next month.

The Palestinians – some of whom had imagined that Mr Rabin might do for the West Bank and Gaza what French President Charles de Gaulle did for Algeria – express exasperation. "Rabin is simply not ready to make peace," says a senior West Bank leader. Instead of de Gaulle – or de Klerk – they see an old military foe who led such bitter campaigns against them as the mass expulsions of Arabs from the towns of Lydda and Ramle doring the 1948 Arab-Israeli war and the crushing defeat of the 1967 six-day war.

Palestinians in exile: their summary expulsion from Israel pnt further pressure on the peace talks

But is the irascible Mr Rabin really little more than a tough ex-general who lacks the vital extra dimeosion of peace-maker? Certainly, he never could be described as a dove. In his own Labour party, he has long been the leader of its hawkish faction, scorning colleagues who would negotiate openly with the Palestine Liberation Organisation and accept, ultimately, Palestinian statehood in the West Bank and Gaza.

He will never, say his aides, negotiate directly with what he calls "the Tunis gang" – the Tunis-based PLO leadership of Mr Yasser Arafat – which most Arabs argue is as vital to the peace process in the Middle East as is the African National Congress to negotiated change in South Africa.

But this is by no means the full story. Mr Rabin is prepared, in line with Labour policy, to cede "land for peace" – that is, to return to Arab rule large portions of the West Bank and Gaza. He offers no shift on Israel's determination to maintain control over all of Jerusalem and its environs and he sees Palestinian sovereignty as being expressed through a union of sorts with Jordan, not independence. But he has made no bones about his belief that Israel can achieve peace only through making territorial compromises.

'Rabin knows it better than anyone – that Israel still thinks Likud,' says one official

Most strikingly, Mr Rabin has repeatedly said he is willing to sanction a significant Israeli withdrawal from the Golan Heights as the price for peace with Syria, Israel's most threatening neighbour. Since the election, he has been encouraged by what he sees as positive signals from President Hafez al-Assad in Damascus – and discouraged by the lack of progress on the West Bank and Gaza. As a rssult, he has reversed his earlier strategy of dealing first with the Palestinians before negotiating seriously with Syria.

Moreover, this apparent willingness to make concessions reflects Mr Rabin's sense that he is playing a historical role. He had a prominent part as a young commander in Israel's fight for independence in 1948; be was chief of staff when the West Bank, east Jerusalem, Gaza and the Golan were captured in 1967. Now, at 71, he wants to be the leader who achieves a broad-fronted peace. "It is his last chance and he doesn't want to lose the chance," says a close associate.

However, while de Gaulle and de Klerk took decisive paths, Mr Rabin is hesitant over how to proceed. This stems in part from his fear of the opposition he might face from Israel's volatile and often violent right wing. At the same time, he seems to lack conviction about how far he should go.

Mr Rabin's tightly knit circle of officials and advisers now says that Labour's election victory – which enabled it to form a coalition with the left-liberal group Meretz and the Shas religious party – did not constitute a mandate for a sharp change in policy. One called it "an accident" in which concerns over the economy, corruption within the Likud and the swing vote of Russian immigrants delivered the shift from the Likud's unyielding "greater Israel" atance to the "land for peace" policy of Labour and Meretz.

"Rabin knows it better than anyone – that Israel still thinks Likud," said the same official. The argument is that, in the absence of a dramatic event such ss a summit between Mr Rabin and President Assad, public opinion will take time and careful education to change.

A move has been made – mainly through speeches and interviews by Mr Rabin – to plant the idea among Israelis that important concessions will be needed on the Golan and, eventually, in the West Bank and Gaza as well. But the limits have not been defined, nor the time-scale set out.

Mr Rabin has said that the opportunity for a breakthrough in ths peace talks will not last long. He fears that Islamic fundamentalism and a resurgent Iran may pull regional developments in a more menacing direction for Israel if agreements are not reached soon – perhaps by the end of this year. The Israeli public, too, may have limited patience if he cannot fulfil his election promises of peace. What seems to be missing is a clear vision of what has to be done to achieve it, and a willingness to carry it through.

"Peace does not mean paradise, but if there is no peace there will be hell and Rabin is aware of that," says Professor Yehoshafat Harkabi, an expert on the Arab-Israeli conflict and intelligence adviser to Mr Rabin.

"The problem is what price he is willing to pay for peace. I am suspicious that he himself is not sure how far he is prepared to go."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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Settlement crucial to protecting profit

From Mr Laurence D Porter.

Sir, I fully concur with your leader ("Taurus done to death", March 12). However, I contend that it contains a flawed argument in respect of settlement. The success of the Stock Exchange's Seaq International dealing service has not been achieved *despite* ths shortcomings of settlement in London, as in almost all cases settlement of these transactions takes place in the domestic location of the particular stock, le Paris for French stocks, Frankfurt for German stocks.

As a settlements manager with more than 20 years' experieoce in the City I also venture to suggest that if one was to ask the principals of any leading securities house or investment bank whether or not settlements were crucial, the answer in the 1990s would be a resounding yes. Increasing competition and ever-decreasing margins on front-end proftability mean that accurate, prompt aod efficient settlemeot of transactions is the only way of protecting a firm's hard-earned profit.

Laurence D Porter,
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Labour not cynical in pressing its Maastricht amendment

From Dr Jack Cunningham.

Sir, You seem either unable or unwilling to understand wby Labour moved and voted for the successful amendment on the Committee of the Regions ("Major must persevere", March 10).

The import of the sanctimonious message in your leading article is that we should "rubber stamp" a government bill to which we always have had fundamsntal objections. How can you legitimately describe as cynical an opposition party whicb expresses its view clearly, moves an amendment to legislation, and states its intention to vote for it?

Our aim was to ensure that our delegation to the committee is truly representative of the nations and regions of the UK when dealing with the institutions of the European Community. Our argument that elected representatives from local government should make up the 24 members was accepted hy the Commons on March 8.

As you rightly say it is Mr Major's own rebels who are filibustering on the Maastricht legislation. They have not been bought off by the Tory leader's opt-out on the Social Chapter – the first of many miscalculations by the prime minister over Maastricht. You fail to mention it was Mr Major who, in a state of panic last November, promised to delay third reading of the bill until the second Danish referendum.

Your charge of cynlcism would be more appropriate to a prime minister who promised delay and now complains of opposition amendments.

To say the "government's tactics have been less than brilliant" is a laughable understatement of reality. But serious government misjudgments are no reason for an opposition to rsfrain from pressing its own ideas in the House of Commons.

Jack Cunningham,
House of Commons,
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Recognition for role of engineering

From John C Williams.

Sir, The "Personal View" of *Dr Pendlehury and Mr Shipley* (March 3) should be read by all who want to stem the recent tide of decline in manufacturing in the UK. The task may not be as difficult as might be imagined.

Recognition that an engineering career is vital to the wealth creation process is recognised in France and Germany, where s university engineering course is prized hy students and encouraged by parents. In Singapore, an early education incorporating experience and practice in engineering is understood to be an excellent entry into senior positions in government, commerce and husiness. Surely it should not be difficult to appreciate that this hands-on experience is more relevant to national success than sn Oxbridge "greats" degree.

The mood of change could be rapid as evidenced hy the prime minister's reported comments on the importance of manufactnring ("Major urges companies to be aggressivs", March 4). However, it is also vital that the industrial leaders in manufactnring recognise this change and promote the training and recognition of all engineers.

I would thus only add to the Personal View the comment that chartered engineers have a prime responsihility to ensure that the support role of incorporated engineers and enginsering technicians is championed as well.

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'Wise man' letter a serious contribution to public debate

From Professor Tim Congdon.

Sir, I was surprised by your economics corrsspondent's account of my open letter to the Treasury Panel ("'Wise man' attacks wisdom of fellow economists", March 6). I would not dream of embarking on public criticism of my fellow panellists' intellectual capabilities, for which I have in any case s high regard. The point of my letter was to suggest their professional interests have been misdirected. In particular, I believe they have been mistaken in failing to integrate money and banking into their analysis and forecasting of Britain's economy.

Your readers may be interested to know that I proposed during the panel's discussions that s section on "monetary developments" be included in the report. I received no support for this proposal from any of the other panellists.

I regard the future behaviour of the British economy as strongly influenced by the rate of (broad) money growth. Specificslly, if hroad money growth between now and end-1994 is 30 per csnt I would expect the level of economic activity and prices in 1995 to be very different than if it were 5 per cent. But one member of the panel – Mr Gavyn Davies of Goldman Sachs – said explicitly in his submission that he was sceptical that faster monetary growth (due, say, to s change in funding policy) would have any significant impact on the economy. As far as I can tell, none of the panel thought that changes in the rate of monetary growth could cause subsequent changes in economic activity.

I am, of course, open to correction and would like to think that I have misunderstood my fellow panellists' views on this matter. May I suggest two questions for them to clarify their views? They might perhaps answer in your columns.

Is the equivalence of the demand for and supply of *money balances* an important aspect of macroeconomic equilibrium? If so, wbat definition of the quantity of money is relevant to the determination of that equilibrium?

I would also like to express aurprise at ths various comments on my open letter made hy some of the pansllists. These included references to "immoderation", "excitability", "unhelpfulness", even "craziness" and the possibility of libel proceedings. As a matter of fact, none of the panellists had been sent the letter when they ventured these remarks, as it was still at the printers or in the post over the weekend in question. I intended the letter to be a serious contribution to a public debate which is of vital importance to the future of our country. I had hoped it would be taken in this spirit.

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FINANCIAL TIMES
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Monday March 15 1993

Mr Lamont's opportunity

THE BUDGET that will be delivered by Norman Lamont will be historic, regardless of its content. It is to be the first of two due this year and the last in which decisions on public spending are to be separate from those on revenue. The question is whether what it contains will be worthy of the stature historians are bound to accord it. The chancellor does, in fact, enjoy a great opportunity, something that few may now believe after a recession that has lasted two and a half years. Yet a chapter of accidents has given the UK an excellent chance for sustained non-inflationary, export-led growth.

What has created this opportunity? First, an ERM-induced monetary policy tighter than any the UK is likely to have sustained on its own has pushed UK underlying inflation – including its most important determinant, pay inflation – towards levels not seen for a generation. Second, an abrupt, unwanted, but fortuitous exit from the ERM has left sterling at a competitive level. Third, the rapid deterioration in the performance of the continental economies should lead to lower interest rates and so allow the UK to sustain an aggressive monetary policy, without serious risk to the exchange rate. Finally, the debt overhang has ended the damaging conflict of the 1980s between the interest rates needed for domestic monetary control and those allowing a tolerably competitive exchange rate.

Different views

How should the government exploit its opportunity? One thing it should not do, as probably it knew all along, is pay too much attention to its panel of seven wise men. It is not just that they have radically different views of how the economy works. It is rather that from past experience their recommendations are most likely to be wrong where there is the greatest agreement. In this case, the most likely mistake is the consensus of six out of the seven that tax increases, even if needed, should be postponed.

The fundamental question is whether the UK possesses a large structural fiscal deficit. The chances are that it has one of 5 per cent of gross domestic product or more. If so, either tax increases or radical curbs on spending will be required to prevent an ultimately explosive increase in public debt. Such an explosion is not merely a threat for the distant future. The fear that it could happen is also likely to limit what could be the most valuable single development of the next several years, namely, a sustained reduction in the nominal interest rate on long-term bonds.

Nascent recovery

The good reason for postponing tax increases is fear of what they might do to the nascent recovery. That may be a reason for delaying introduction of tax increases until 1994-95, but the intention to make those adjustments needs to be announced now, which may itself rob the postponement of its benefits. The case for postponement has, in any case, been weakened by exit from the ERM, which allows any adverse effects of tax increases, almost certainly exaggerated by unreconstructed Keynesians, to be offset by a sufficiently aggressive monetary policy.

The job of the chancellor is to convince the markets that tax increases or spending cuts equivalent to a fiscal adjustment of at least 3 per cent of GDP will be introduced over at most the next two years. It is also to introduce changes in the tax system that would reduce its distorting effects on the economy. It would be wonderful if the chancellor managed to combine the needed credible commitment to fiscal rebalancing with imaginative tax reform. But it may be too much to ask for.

One member of the Treasury's panel of forecasters has argued that an outcome of less than 1 per cent growth this year would be a "disaster". This exaggeration does much to explain the persistent instability of British macroeconomic policy, which has, in turn, done so much damage to the British economy. What would, indeed, be a disaster is for the present opportunity for sustained growth to be frittered away in yet another unsustainable expansion, followed by a deeply damaging recession later in the 1990s. Even the UK should be able to learn from past failures. The time to show it has done so is now.

Mr Keating's party trick

WHEN THE time came, Mr Paul Keating said, he would flick the switch to vaudeville. And so he did. The Australian prime minister's victory in Saturday's election is a triumph for his political skills and street-brawler instincts. When he ousted Mr Bob Hawke in December 1991, the best hope of the Labor party was that he would limit the extent of an apparently inevitable defeat. Instead, he won by making the opposition's modest tax reform plan, which was similar to one he himself had once advocated, appear to be a fundamental attack on egalitarian Australia's way of life.

The conservatives become the latest opposition to rue tax proposals that could be portrayed as increases likely to hit the broad electorate. In fact, the general sales tax proposed by Mr John Hewson, the opposition leader, would have been accompanied by abolition and reduction of other taxes. Food prices might have fallen. But Mr Keating pressed every button guaranteed to win votes: the GST would cause a blanket 15 per cent rise in prices of everyday goods; it would benefit the rich at the expense of the poor; it provoked Canadians into ejecting prime minister Brian Mulroney (at best, only partly true).

That Labor should win a fifth consecutive term is the more remarkable given that voting is compulsory and more than 1m of a population of 18m are unemployed. Mr Hawke and Mr Keating, federal treasurer for eight years, cannot carry all the blame for the recession from which Australia is emerging. Financial deregulation in the 1980s brought an explosion in financial assets and entrepreneurs' excesses.

Biggest problem

As a result, Australia's recession began earlier than those in the rest of the industrialised world. But, overall, Labor's policies of opening up the economy – reducing tariffs, floating the currency, deregulating markets, freeing labour markets, and shifting the attention towards Asia – were what Australia needed.

The biggest problem for Labor was that, like the Republicans in the US and the Conservatives in Britain, the party ran out of new ideas. Mr Keating's campaign provided little evidence that he has yet hit upon any. However, the fact that he has now definitively established his party leadership may allow him to force new blood into government.

After the pain of the recession, the new administration inherits a fundamentally favourable situation, with the economy growing moderately, inflation squeezed virtually to zero and rising demand generating higher productivity. Its challenge – one in which Australia is scarcely unique – is that the economy's projected growth, even after promised fiscal stimulus and a likely further easing of monetary policy, is unlikely to be fast enough to reduce unemployment.

Basic approach

This is not easy for any government to correct. However, a renewal of Labor's basic approach of the 1980s would help the economy to grow along lines likely to lead in the end to faster job creation. Labour reform has slowed: exporters would be more competitive if labour market rigidities in the docks and in domestic freight services were addressed. Tariff cuts need to be implemented with greater determination, to help make the automobile, textile and sugar industries more competitive. That would help redirect investment capital into areas, such as computer software development, where Australian industry is showing promising signs. Remaining curbs on financial markets should be lifted.

The irony is that, while the ruthless campaign has narrowed his options, tax reform should nevertheless be on Mr Keating's agenda. The current structure is biased against exports and savings, both of which Australia, with its heavy foreign debt burden, needs urgently to increase.

Mr Keating has made it clear that he sees Australia's future in Asia. Given the extraordinary dynamism of the region, this is a sensible attitude which he should develop further, even though its aim is partly a defence against European and American trade blocs. If he is to hold office with as much skill as he showed in winning it, however, he has to demonstrate that he has a freshness of vision across other areas of policy as well.

The deal they were condemned to do

The state of the German economy helped drive the politicians to agree a solidarity pact, says Quentin Peel

Agreement at last: Helmut Kohl (right) and Björn Engholm after reaching a deal over the new financial package

Delight, relief and exhaustion were apparent in almost equal proportions on the faces of Chancellor Helmut Kohl and Mr Björn Engholm, the German opposition leader, on Saturday night.

After two and a half days of almost unrelieved negotiations over the fine details of the long-awaited solidarity pact to finance German unification, a deal on the central component – public finances and burden-sharing – had been done.

When it comes to analysing the figures, the holes in the pact are certain to emerge. But at 8pm in the chancellor's office in Bonn, where they had been shut away so long from a gloriously sunny, premature spring weekend, nobody was picking holes. It was time for mutual congratulation.

The entire German top political establishment – the chancellor and his principal ministers, the leading figures in all the main parliamentary parties, and the 16 prime ministers of the German federal states – had thrashed out a political agreement on the soaring cost of subsidising east Germany for the foreseeable future. They had agreed on how to split the cost between the central government and the wealthy western states. And they had done it at a time when the overwhelming majority of observers doubted their ability to do so, and had even begun to question their very powers of leadership.

Mr Kohl, that master of the understatement, called it "a good result" and "a very considerable achievement". Everybody had had to compromise, he said, and all had been willing to do so.

Mr Engholm, leader of the opposition Social Democrats (SPD), who had put his own political credibility at stake in the exercise of reaching cross-party agreement, went further. "We have taken a huge stride towards the realisation of Germany unity," he said. "That was the aim, and that is the result. Seldom before have I found two and a half days so useful and so fruitful."

As for the prime ministers of the 16 German Länder, whose budgets face a critical squeeze from unification in the coming years, they were also overwhelmingly positive.

Mr Kurt Biedenkopf, the Christian Democrat prime minister of Saxony, the industrial heartland of east Germany, called the deal "a success for the federal Germany, and a success for a united Germany.

"Many doubted whether it was possible for 16 Länder to agree with the federal government on such a complex deal," he said. "We have succeeded in cutting the Gordian knot and in reaching a tolerable conclusion."

Mr Rudolf Scharping, the SPD premier of the Rhineland Palatinate in the west, said it was above all "a success for the major parties and perhaps a signal that the endless to-ing and fro-ing is at an end".

The deal they have done is certainly less than ideal. The aim of the package was to squeeze western Germany – both the central government and the states – in order to finance a transfer to the eastern states in 1995 of DM110bn (£46.6bn), including DM40bn for servicing the accumulated debts of the east. That has to be done while the western economy is in recession, after a sharp downturn in the last quarter.

Mr Kohl and Mr Theo Waigel, his finance minister, wanted to cut western spending, including the bloated social security budgets; to postpone any tax rise until 1995, to allow the economy time to recover (and the 1994 elections to take place); and to keep any call on the capital markets to a minimum, to encourage the German Bundesbank to carry on cutting interest rates.

Mr Engholm and the SPD wanted no cuts in social spending and a much earlier tax rise to meet the immediate spending gap.

In the event, the deal will raise taxes from January 1995 by a painful 7.5 per cent surcharge on income tax, and an increase in the wealth tax: the amount is about double what Mr Waigel had intended, but at least it will not come into effect until 1995.

He has agreed to give the Länder nearly DM20bn in extra tax revenues, to help them pay for transfers to east Germany, by raising their share of value added tax receipts from 37 to 44 per cent. That will relieve them of what they all regarded as quite unbearable pressure on their spending plans.

Public sector borrowing will increase significantly, thanks to an increase in the borrowing limit of the Treuhand privatisation agency by DM30bn, to allow it to finance further restructuring of "core industries" which it cannot sell, and to clean up the ecological havoc they have caused. At the same time the Bank for Reconstruction will be allowed to raise its borrowing limit from DM30bn to DM60bn to finance housing modernisation in the east.

As for savings measures, Mr Engholm won an absolute commitment that there would be no cuts in social spending. So the two sides simply agreed on a figure for savings – DM9.2bn at the central government level – and instructed the finance ministers to identify the necessary cuts. However, if they fail to meet the target, the Länder will have to forfeit the corresponding amount from their VAT revenue: that is Mr Waigel's secret weapon.

It all seems to fall well short of what the Bundesbank was looking for: a clear commitment to budget cuts, and no increase in the overall public sector indebtedness. Last night, the Bundesbank was studiously, if somewhat sceptically, refusing to comment on the deal.

Yet it would be wrong to underrate the importance of the deal, for it is, above all, a political as opposed to purely financial agreement. "This is a vital step in bringing unification into our consciousness," Mr Biedenkopf said yesterday.

It will also provide certainty and reassurance for the private sector, at a moment when the investment climate is gloomy, Mr Scharping said. "That is of decisive importance for the Bundesbank."

The state of the German economy was decisive in driving the negotiators towards a deal, and in reinforcing the government's resistance to any tax rise before 1995, but equally in weakening the government's insistence on firm spending cuts to be agreed before they went home.

The key to the deal was the tax trade-off, reached by Mr Waigel and the main body of state premiers in a working group on Friday night. That is where the deal between a higher VAT take for the Länder, against a higher solidarity surcharge for the central government, was done.

The other key was the question of social spending cuts. Everyone agreed they would try to find savings of up to DM3bn from clamping down on social-security swindles. Mr Kohl wanted the savings to be identified by May – and, if not, the original cuts to be reinstated. Mr Engholm flatly refused. Mr Kohl got the tax deal, Mr Engholm the social spending.

In spite of the overwhelmingly sceptical view of the German media that the pact would never come to pass, most of those involved always said they were "condemned to agree".

Mr Engholm, in particular, was clear that he wanted an agreement and would get one. He, like Mr Kohl, is instinctively a man of consensus and compromise. That is why both are accused of failing to give clear leadership. When they left Saturday night's closing press conference, Mr Kohl took Mr Engholm's arm and squeezed it, a gesture which said more about their temporary alliance than any words.

There is no doubt that the local election results from the state of Hesse, just six days before, concentrated minds powerfully. Mr Kohl's Christian Democrats did badly – losing 2.3 per cent on a previous bad score. Mr Engholm's SPD did even worse, losing 8.4 per cent of its share of the vote. Both men were reinforced in their determination to show they could do business in Bonn – not simply shout slogans at each other.

The question now is how the pact, in all its inevitable pain, will be sold to the nation, and whether the lower ranks in the leading parties will still try to pull it apart. That is precisely where the leadership powers of both Mr Kohl and Mr Engholm will be challenged.

The myth of America's decline

PERSONAL VIEW

The notion that the American economy is in a long-run structural decline has been strengthened over the last decade by academic and media pundits. These pundits clamour for expanded government spending programmes, protectionist trade policies and government subsidies for special commercial technologies. In Europe and Japan pundits gleefully proclaim that the US has been eclipsed, and that the next century "belongs" to Asia or to Europe.

The declinists insist that America is lagging behind its economic competitors (especially Japan and Germany), is de-industrialising, and that economic collapse is just around the corner. In a revisionist history, the declinists – some now occupy high positions in the Clinton administration – blame the "decline" on the "failed policies of the 1980s". The declinists' allegations form the premise for President Clinton's economic programme.

The American economy does, indeed, face serious challenges, most importantly raising productivity growth, but even with a healthy discount for political hyperbole, these allegations are nonsense.

The US remains the world's largest, richest and most productive economy. With less than 5 per cent of the world's population, it produces about a quarter of the world's total output of goods and services. The average standard of living – measured by the total value of output per person – exceeds that of any other leading industrialised country, being 20-30 per cent higher than in Germany and Japan. Productivity is also higher, as is average private sector pay, than in these other nations.

The fortunes of particular industries have ebbed and flowed, but America is not de-industrialising. Neither is it losing its overall competitive edge. The US is the world's leading exporter and, although many US manufacturers face stiff competition in markets with high volume and low profit margins, America has maintained or enhanced its technological edge in areas such as microprocessors, advanced telecommunications, biotechnology, aerospace, chemicals and pharmaceuticals.

The American economy is currently faring far better than those of the other leading industrialised countries. The US is producing about 3 per cent more industrial output than a year ago, while Germany, France and Italy are producing 4 per cent less, and Japan 8 per cent less.

The economy is faring far better than those of the other leading industrialised countries

What happened in the 1980s? The longest peacetime economic expansion in the nation's history, from late 1982 to mid-1990, followed a successful, but costly, taming of the 1970s double-digit inflation, as 20m new jobs and millions of new businesses were created. Real GDP grew 30 per cent. Productivity rebounded slightly, real wages continued to grow slowly, and the wage premium for educated workers increased, but less-educated young workers faced bleaker prospects. Persistently large budget deficits developed, as federal spending grew relative to GDP, while revenues were stabilised by cutting tax rates and indexing for inflation. The national debt rose by $2 trillion, but private wealth increased five times as much.

In short, it was a decade of generally successful economic performance, although serious problems remained and new ones emerged.

I agree with the pundits of decline on one point: America will not remain the world's strongest economy unless productivity growth improves substantially.

America saves and invests too little. Its federal government spends and borrows too much. Its education system is woefully in need of reform. Its tax system has become less conducive to entrepreneurship, saving and investment. The government regulates too much private activity. The legal system imposes unnecessary costs on consumers and companies, and stifles innovation. Too many Americans depend on a welfare system that penalises work, saving and intact families.

An aggressive reform agenda focused on these issues, as well as a successful conclusion of the Uruguay Round of the Gatt, is America's best bet for achieving sufficiently rising standards of living to provide a better legacy of prosperity to its children, and opportunity to the disadvantaged.

The new administration seems intent on addressing these problems with new government programmes, higher tax rates, increased and less flexible regulation, and trade protection – rather than through reforms that empower individuals and families, and strengthen the market system. If implemented, such a programme, inspired by the declinists, eventually might become a self-fulfilling prophecy.

Michael J Boskin

The author is visiting scholar, American Enterprise Institute, and former chairman, President's Council of Economic Advisers

OBSERVER

Exchanging bosses

■ Not sure what it tells, but turnover in stock exchanges bosses is starting to pick up again. Only a day after Peter Rawlins stepped down as chief executive of the London Stock Exchange last week, Rüdiger von Rosen, chief executive of the Deutsche Börse, announced he was quitting. Perhaps the leaders of the New York Stock Exchange and the Paris Bourse ought to inspect their employment contracts to see what they say about security of employment.

The irony is that whilst Rawlins left under a cloud, von Rosen leaves after a record of considerable achievement. He joined the Frankfurt Stock Exchange in 1986 from the Bundesbank where he had been head of communications for Karl Otto Pöhl, then President of the German central bank.

By most accounts, he did a good job persuading Germany's eight regional bourses to bury their age-old rivalries in the interests of creating a nationwide Deutsche Börse at the beginning of the year. But now he is being replaced by a former Swiss management consultant, Werner Seifert, 44, who is five years younger and works for the Swiss Re in Zurich. He is said to be an ally of Deutsche Bank's securities chief Rolf Breuer, who also doubles up as chairman of the Deutsche Börse.

If Von Rosen had a fault it seems to have been his independent streak of mind, which has irritated the big German banks. Only last week von Rosen said that his ambition was to see Frankfurt dislodging London as Europe's leading stock exchange, citing its technological edge. Breuer has the same objective but feels happier about having a less controversial figure in place. Perhaps London should follow suite when it comes to picking its next stock exchange chieftain?

Fall out

■ Whatever may befall John Birt's director-generalship of the BBC, wax effigies of him transfixed with pins may soon be found in the hands of Britain's self-employed.

Thanks to the furore over his arms-length contractual arrangements with the BBC while on his way through the deputy D-G's job to the pole position, it seems the chancellor of the exchequer might foreshadow a change of the rules for the self-employed in tomorrow's budget.

Gurus at the Institute of Taxation, the UK's professional body concerned with said topic, believe Norman Lamont may begin introducing self-assessment for the self-employed – on the lines of the pay and file system used for corporation tax.

But mercifully, since it's proving difficult to devise a workable way of saddling them with a brand-new system of current year taxation instead of allowing them to earn now and pay later, the project is expected to take a while to perfect. Perhaps another three years, the gurus say.

'I felt people needed cheering up a bit'

Power play

■ Can the epic saga of the $25bn buy-out of RJR Nabisco work as television comedy? While the critics must make up their own minds, certainly plenty of laughs came from the élite Manhattans at the private preview of a new Home Box Office television movie.

Called Barbarians at the Gate, it is based on the best-selling tale of Henry Kravis, Ross Johnson and the battle for RJR Nabisco. Indeed, the preliminary reception was graced by one of the book's co-authors, Bryan Burrough, who left The Wall Street Journal recently for a highly paid perch at Vanity Fair. But he ducked out of the show as soon as the lights went down.

Of the subsequent cackles, the most hysterical outburst was a true sign of changing times on Wall Street. It came when the story moved to the home of Jim and Linda Robinson, the former power couple from American Express. As their telephone rang, a trimly dressed maid interrupted her task of ironing dollar bills, and answered the call with: "Robinson residence".

The 1980s must really be over.

Honest broker

■ Whether or not anyone knows quite what's what in the arcane sector of finance known as "derivatives", we now have a Who's Who therein – thanks to a joint effort by Risk magazine and Intercapital Brokers.

What's more, by asking about "lifestyle" in their questionnaire to the sector's inhabitants, the publishers attempted to make all the so-called rocket scientists with multiple degrees in nuclear physics sound a shade more human.

"They are a cosmopolitan bunch, moving at ease between jobs in Tokyo, New York, London, Paris..." oozes the accompanying blurb. But apparently somewhat literal minded with it, a note at the front of the new volume suggests.

Having asked the whizz kids taking part in the early stages to name their "pet hate", the compilers were dismayed by replies expressing a "high level of distaste" for domestic animals. So the questionnaire was later amended to ask: "What do you most dislike?"

Alas we're not told whether the derivatives specialist who answered "my wife", was an early or a late participant.

On the record

■ As the Whitehall equivalent of the Squidgy tapes, bootleg recordings of a boisterous Waltzing Matilda, doctored to include statistical references, are becoming a collector's item in officialdom.

When the song was rendered at a staff party organised by Bill McLennan, the Australian head of the Central Statistical Office who took over a year ago, he was so impressed that he insisted the choir put the number on record. As the official song includes references to Her Majesty's Treasury, Budget purdah forbids full disclosure.

But the chorus will give a flavour:

Testing the market, testing the market,
Who'll come a -testing the market with me?
And he sang as we sighed and we waited to be Ozzified,
Who'll come a-testing the market with me?

FINANCIAL TIMES
Monday March 15 1993

Voices of the people: Muscovites shout out their views to deputies leaving the Kremlin during a session of the Congress of People's Deputies

Australian PM reshuffles Labor cabinet after surprise poll win

By Kevin Brown in Sydney

AUSTRALIA'S Labor prime minister, Mr Paul Keating, yesterday began work on a wide-ranging ministerial reshuffle after unexpectedly retaining power in Saturday's federal election.

With five seats still in doubt late last night, Labor was expected to win an overall majority of at least seven seats in the 147-seat House of Representatives. It had a majority of six in the last parliament.

The victory gives Mr Keating substantial freedom to introduce new faces into the ministerial team he inherited after defeating his predecessor, Mr Bob Hawke, in a 1991 leadership battle.

Mr Bob Hogg, Labor's national secretary, said there was likely to be "a fair turnover" in the cabinet. However, Mr John Dawkins, the treasurer (finance minister), is expected to retain his post.

The government also signalled during the campaign that it would cut interest rates soon, unless the Australian dollar fails to maintain its recent recovery.

Mr Dawkins forecast that economic growth would accelerate from 2.4 to 3-4 per cent by the end of the year, helped by recovery in other developed countries. "I think we have got the opportunity to consolidate a period of strong growth in Australia."

Labor's victory followed a late surge of support which was not identified by published opinion polls until the day of the election.

The main factor was Mr Keating's attacks on the coalition's plans for radical reform of industrial relations and taxation, including the introduction of a goods and services tax (GST).

The result was a personal triumph for Mr Keating, who was one of only a handful of Labor leaders who believed Labor could win in spite of high unemployment and slow economic growth.

Mr Keating said the result was a victory for Labor's "decent" values over the divisive policies of the *conservative Liberal/* National Party coalition. "This is the sweetest victory in the world. This is a victory for the true believers, the people who in difficult times kept the faith," he told supporters at his Sydney base.

Mr John Hewson, the coalition leader, announced a review of all opposition policies, and forecast that the GST plan would be dropped. He said he was sure of "strong support" in a leadership election to be held shortly.

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Editorial Commeot, Page 13

Apathy as French right wing keeps lead

By Alice Rawsthorn in Paris

FRANCE'S CONSERVATIVE opposition alliance is heading for a resounding victory in the parliamentary elections this Sunday and on March 28, but the level of abstentions is likely to be a record, according to the final opinion poll of the campaign.

An IFOP opinion poll in Journal du Dimanche yesterday reckoned abstentions could be as high as 26 per cent – some six points above the norm.

Commentators said this high level, with voting intentions little different since the campaigning began, was indicative of the electorate's apathy. "Everything suggests the campaign has washed over the electorate like water off a duck's back," said Libération newspaper. "There has been no significant change in voting preferences since the beginning of the year."

The IFOP poll confirmed these views by suggesting that the conservatives would win 42 per cent of the vote, against 43 per cent in a January sounding, leaving them with more than 400 of the 577 National Assembly seats.

The ruling Socialist camp is expected to emerge with between 89 and 109 seats after mustering 20.5 per cent of the votes.

No more opinion polls before the election are allowed.

The ecologists, who had been gaining ground in the campaign, have slipped. Yesterday's poll suggests they will attract 14.5 per cent of the votes, making them the largest protest grouping, ahead of the far-right National Front with 10.5 per cent, and the Communists with 9.5 per cent.

Violence erupted yesterday in an otherwise subdued election campaign at a public meeting at Gardanne, near Marseilles, addressed by Mr Jean-Marie Le Pen, head of the NF. Police had confiscated knives and missiles from NF supporters, and four people were injured in a scuffle when protesters pelted the police with bottles and vegetables.

Wanting it both ways, Back Page, Section II

UK budget expected to help jobless and small businesses

By Peter Norman, Economics Editor, in London

THE UK TREASURY was last night making final preparations for tomorrow's 1993-94 budget which is expected to increase Britain's tax burden moderately.

It may also strengthen the reputation of the chancellor of the exchequer (finance minister), Mr *Norman Lamont, as a fiscal innovator.*

Mr Lamont's third budget – and the last of the traditional spring revenue-raising budgets – will contain a package of measures to help the long-term unemployed and reduce the number of officially registered jobless from more than 3m at present.

It is also expected to provide encouragement for small businesses, which Mr John Major, the prime minister, believes can do most for job creation once the UK pulls out of recession.

As budget day has approached, speculation has increased that Mr Lamont will partially offset tax increases by extending significantly the bottom 20 per cent tax band, which he introduced last year for the first £2,000 ($2,840) of taxable income. Such a move would be a step towards turning the 20 per cent band into the tax rate for the average citizen.

The news blackout surrounding the chancellor's budget plans has been tighter than ever this year. But commentators have moved towards thinking Mr Lam*ont will announce a radical and* innovative package in an attempt to boost the government's flagging political fortunes and his own chances of staying in office.

Apparently ruled out is a budget day cut in bank base rates from their current 6 per cent level. In recent weeks, Mr Lamont and the Bank of England have tried to discourage expectations of an early rate cut. The authorities not only believe that 6 per cent is the right level to encourage economic recovery but are concerned that lower rates could undermine sterling and so rekindle inflationary pressures.

Mr Lamont's main objectives will be to encourage economic recovery and convince financial markets that he will take no risks with inflation by allowing the UK's large government deficit to spiral out of control.

Polls of City of London institutions, taken by the financial information companies MMS International and IDEA, suggest that London's financial markets expect Mr Lamont will raise taxes by £2bn to £2.25bn in tomorrow's budget and by £4bn in the first unified taxing and spending budget in November.

The markets are hoping for relatively good news on the deficit. The consensus forecasts published by MMS and IDEA suggest the City expects Mr Lamoot to announce a public sector borrowing requirement of £35bn for 1992-93, down from the £37bn forecast in the government's autumn statement. On the strength of the budget measures, he is expected to predict a deficit of about £45bn for 1993-94, below recent expectations of £50bn.

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US cities struggle in storm

Continued from Page 1

Heavy snow brought life throughout the east to a grinding halt. *Cities as far south as Birmingham, Alabama* (where snow is so rare that the city has no snow ploughs), were hit by snowfalls of more than a foot while further north as much as 20 inches of snow blanketed Boston.

Blizzards also trapped thousands of motorists on roads in the south of the country.

The severity of the storm was magnified by heavy winds, which in some areas reached up to 100 miles an hour, causing floods in coastal regions and creating huge drifts of snow inland. In Manhattan the high winds blew out windows in some midtown skyscrapers, sending showers of glass on to streets that were mostly deserted. Many of the city's bridges were closed because of the wind.

Meteorologists said the storm's strength derived from the merging of an extremely low pressure system which originated in the *Gulf of Mexico* with a *blast of* cold arctic air from the north.

They ranked it as the biggest storm in 100 years because it affected so much of the country. On Saturday morning the storm wreaked havoc all the way from central Florida in the south to the northernmost state of Maine.

Risk of EC-US tit-for-tat trade war

Continued from Page 1

know of Mr Kantor's announcement before it became public.

Speaking from Prague, Sir Leon suggested that the US had missed an opportunity to discuss constructive ideas which might have led to a resolution of the dispute.

EC officials said these ideas revolved around introducing reciprocity in EC-US government procurement, with the EC using Article 29 as a bargaining chip to gain access to lucrative transport and energy contracts at state level, or so-called "sub-Federal procurement".

A spokesman for Sir Leon said in Brussels yesterday that the Commissioner was determined to avoid public threats of retaliation. "We are going to play the game properly right down to the wire."

But the spokesman agreed that Mr Kantor's threats of sanctions had raised the stakes in US-EC relations, putting even more pressure on the US trade representative's planned talks with Sir Leon in Brussels on March 29.

THE LEX COLUMN

The franc marks time

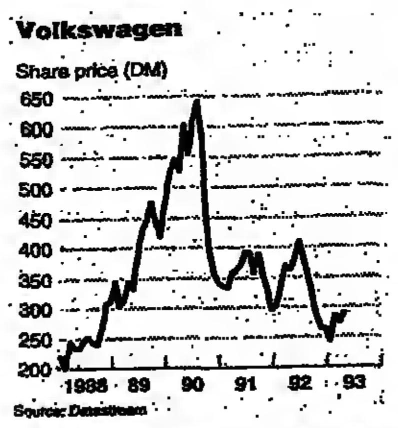
If the doom-mongers were to be believed, we should have been in the middle of another ERM crisis now that the French election is approaching. That the strains on the system have been limited is in part due to the troubles of Mr Boris Yeltsin which have conveniently depressed the D-Mark. Some pressure on the franc has been masked by intervention, particularly on Friday morning. Above all, expectations of a cut in Germany's official interest rates have held the more timid speculators at bay. That means, though, that this Thursday's Bundesbank council meeting has assumed increased importance whether the bank likes it or not.

Some recent statements from bank officials suggest it regards the quarter point cut in its money market repurchase rates as enough for the time being. But, given expectations this cut has engendered, the disappointment if there is no follow-through would be significant. The bank would be sending a powerful signal that it would only cut rates slowly despite the deterioration in the German economy.

That could immediately expose the French currency to speculative pressures that are currently more repressed than cured. It might also revive the debate over how long other ERM countries can survive with real interest rates far too high for the good of their economies. Last week again saw rumblings of concern in Portugal *and Spain, while it is striking that,* even after devaluation, Ireland still has to endure short-term interest rates of 11.5 per cent. It was always the case that the clouds over the ERM would lift only when the Bundesbank finally took decisive action on rates. It has not done so yet.

British Gas

If there is a case for breaking up British Gas into many competing companies, Sir James McKinnon has not made it. Ofgas's submission to the Monopolies and Mergers Commission was long on diagrams but short on numbers and its protestations that the proposed structure would cost only £250m a year look implausible. Equally, British Gas has failed to persuade that it deserves to be preserved as a "national champion". Its argu*ments that a break-up would be unsafe* and an administrative nightmare are thin and self-serving. British Gas has a oasty history of championing the status quo in the interests of British Gas.



So it sticks in the craw to go along with the company. Yet with the advantages of a break-up highly uncertain there is a case for settling nearer the company's position than Sir James's. Some of the nastier political questions – such as the obligation to supply small consumers – might be avoided. A tight price cap will squeeze costs out of the business. Stronger Chinese walls within the company would make it easier to break up later if insufficient competition flows through.

On one issue, however, everyone seems to be wrong. Cheap interruptible gas supplies to large industrial customers are really needed because of variations in demand from domestic users. The costs and benefits should be considered together and priced against the alternative of increased storage capacity.

Lloyd's insurance

The exodus of Names from the Lloyd's insurance market has squeezed the agencies which stand between them and underwriters. Sturge and A J Archer, the two quoted agencies, underperformed the stock market by 90 per cent over the last five years. Their response to plunging commission income has been consolidation: witness last week's acquisition by Archer of the unquoted Castle Holdings. The deal allows Archer to spread the cost of developing technology for analysing the performance of underwriting syndicates. If the reforms under consideration allow *companies to commit capital to* Lloyd's, such expertise may be a matter of survival.

But there are pitfalls in empire-building. In a litigious business like Lloyd's, acquiring other agencies – *contingent liabilities and all* – can be risky. Big agency groups must also be wary of conflicts of interest. Both Archer and Sturge now own managing agents which act for underwriters, and members' agents which represent the interests of Names. The last round of Lloyd's legislation stopped insurance brokers owning managing agents. The coming proposals may demand a root and branch reform.

So long as the market is shrinking, though, Lloyd's agencies will be under pressure to take out costs. That points to further mergers. Sturge and Archer can pay for unquoted rivals with quoted paper. Consolidation alone will not bring a reversal of fortunes. That requires a return to underwriting profits. But whatever structure emerges for Lloyd's, the strong will be best placed to benefit.

Volkswagen

Tomorrow's meeting of Volkswagen's supervisory board will reveal how far the company is prepared to go to catch up speedier rivals. Although VW's consensual style enabled it to grow into the biggest European car manufacturer, it has lately stifled its response to the industry's rapidly-changing dynamics. VW's failure to change out-dated working practices has left it perilously exposed as Europe's car market lurches downwards. Its European sales could fall by 340,000 units this year.

VW's new chief executive, Mr Ferdinand Piëch, has signalled a fearsome intent to tackle VW's problems head-on. He has been assembling a strong management team, although the last minute failure to appoint Mr Ignacio Lopez de Arriortua, who was credited with turning round General Motors' European operations, is a big setback. There may be old-guard departures at senior level, but what matters most tomorrow is whether Mr Piëch can at last produce a concrete plan for quickly cutting labour costs. Only that will show whether he has persuaded the trade union and regional government officials on VW's board of the need for drastic redundancies. The sense of crisis at VW may be his greatest ally.

Unlike many of its rivals, VW's balance sheet is in reasonable shape. *German car sales may fall 20 per cent this* year, but they would still exceed those of 1990. Having already come to terms with the prospect of a dividend cut, the stock market may be right in anticipating better times ahead.

World Weather

		°C	°F
Ajaccio	F	19	66
Algiers	F	19	66
Amsterdam	F	14	57
Athens	F	14	57
Bahrain	S	19	66
Bangkok	R	32	90
Barcelona	Dr	13	55
Beijing	C	8	46
Beirut	F	15	59
Belfast	C	11	52
Belgrade	S	13	55
Berlin	S	14	57
Bermuda	R	19	66
Bombay	S	29	84
Bordeaux	S	17	63

		°C	°F
Boulogne	S	12	54
Brussels	S	15	59
Budapest	C	3	37
Buenos Aires	C	26	79
Cairo	F	19	66
Cape Town	S	23	73
Caracas	F	30	86
Casablanca †	–	–	–
Chicago †	S	-14	7
Cologne	S	16	61
Copenhagen	S	9	48
Corfu	S	15	59
Dallas †	S	-1	30
Dublin	C	13	55
Dubrovnik	F	14	57
Edinburgh	C	12	54
Faro	S	16	61
Florence	S	14	57

		°C	°F
Frankfurt	S	14	57
Geneva	C	10	50
Gibraltar	R	13	55
Glasgow	R	11	52
Helsinki	S	6	43
Hong Kong	S	24	75
Innsbruck	S	16	60
Inverness	C	13	55
Islamabad	C	14	57
Istanbul	F	8	46
Jakarta	R	31	90
Johannesburg	T	21	70
Lisbon	F	14	57
London	S	14	57
Los Angeles †	C	16	61
Luxembourg	S	12	54
Madeira	F	17	63
Madrid	Dr	9	48

		°C	°F
Majorca	F	16	61
Malaga	F	17	63
Malta	R	13	55
Manila	F	29	84
Melbourne	S	28	82
Mexico City	F	26	78
Miami †	C	8	46
Milan	S	13	55
Montreal †	Sn	-13	9
Moscow	Sn	0	32
Munich	S	13	55
Nairobi	F	27	81
Naples	S	16	61
Nassau	F	27	80
New Delhi	F	25	77
New York †	F	-6	21
Nice	F	15	59
Nicosia	S	15	59

		°C	°F
Oporto	F	16	61
Oslo	C	3	37
Paris	S	16	61
Prague	S	12	54
Reykjavik	F	6	43
Rhodes	S	14	57
Rio d'Janeiro	C	32	86
Rome	S	14	57
Salzburg	S	12	54
S'Francisco †	R	13	55
Seoul	F	11	52
Singapore	R	28	82
Stockholm	C	4	39
Strasbourg	S	15	59
Sydney	C	23	73
Taipei	F	26	79
Tangier	–	–	–
Tel Aviv	C	17	63

		°C	°F
Tenerife	C	18	66
Tokyo	S	13	55
Toronto †	F	-15	5
Tunis	C	16	61
Valencia	F	12	54
Venice	C	6	43
Vienna	S	9	48
Warsaw	S	7	45
Washington †	F	-4	25
Zurich	S	11	52

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
Monday March 15 1993

INSIDE

IRI forced to squeeze Stet for funds

IRI, the main Italian state holding company, has been forced to squeeze funds for the second time in five months from Stet, the cash rich subsidiary controlling its telecommunications holdings. IRI management has suffered two setbacks recently. The privatisation process has proved slower than expected and estimates of 1992 losses in Ilva, its steel arm, and in Iritecna, civil engineering, have increased. Page 17

Shareholder supports Owners

A holder of a 10.8 per cent share in Owners Abroad is understood to have decided not to accept the £294m ($421.6m) hostile bid from rival holiday company Airtours. The decision by Phillips and Drew Fund Management could be the deciding factor that narrowly allows Owners to retain its independence. Page 16

Pittencrieff in expansion bid

Pittencrieff, the Edinburgh-based oil and gas group, has launched a conditional £7.5m ($10.76m) all-paper offer for Aberdeen Petroleum which is itself embroiled in a hostile takeover bid for fellow energy explorer, Brabant Resources. Pittencrieff said it was making the offer to expand its oil and gas development and production activities in the US and Canada. Page 16

US rates hit a low

The strong run in the US Treasury market has brought long-bond yields down to new lows. With deposit rates languishing at around 3 per cent, investors are keener than ever to find a way to enhance their returns. The result has been a wave of structured products to meet the demand. Page 19

Battling for Russian reform

Mr Boris Fyodorov returned to Russia as deputy prime minister for economics and finance in December to find himself at the centre of a battle to save a market revolution begun by others. He says the government will fight on for its policies regardless of last week's bruising defeat by the Congress of People's Deputies of the Russian president, whom he describes as "our main hope and support". Page 28

Prospective p/e ratio

The latest prospective p/e ratio for the "500" index for calendar 1993 is 14.8, according to IBES, the consensus estimates service (Last week: 14.4). This compares with an IBES estimated p/e for the "500" of 18.2 (17.7) for calendar 1992. The official FT calculation of the historic p/e, based on the latest reported earnings, is 18.08 (18.14).

Market Statistics

Companies in this issue

Lopez shuns Volkswagen by staying at GM

By David Waller in Frankfurt and Patrick Harverson in New York

THE TUG-OF-WAR between General Motors and German rival Volkswagen over the services of Mr J. Ignacio Lopez de Arriortua, the former head of worldwide purchasing at the US carmaker, appeared resolved yesterday when GM said Mr Lopez would not be leaving the company. A GM spokesman said: "I can confirm that he will be staying at GM."

The announcement came just three days after Mr Lopez apparently delivered a blow to GM by unexpectedly resigning his position. At the time, it was reported that he was leaving to join the board of Volkswagen.

Reflecting VW's dismay at the decision, the German carmaker put out a statement yesterday blaming GM for putting pressure on Mr Lopez to stay. Mr Ferdinand Piëch, VW chief executive, said Lopez had come under "persistent interventions" from GM colleagues and the pressure for him to stay had finally proved impossible to resist.

GM would not explain why Mr Lopez had changed his mind, but said the company would hold a press conference in Detroit later today. Mr Lopez's decision to stay at GM will be a big boost to the US company. He had been the key figure in a drive by GM to cut its costs through a radical reorganisation in the way it buys parts in North America.

VW said that at Mr Lopez's request his contract of employment with VW, which both sides had already signed, was to be set aside. Under the terms of the contract, which was to have been ratified at a meeting of VW's supervisory board tomorrow, Mr Lopez was to have started work at VW's Wolfsburg headquarters within a matter of weeks. "What was originally on the agenda for [tomorrow's] board-meeting in relation to Mr Lopez, is no longer on the agenda," said Mr Ortwin Witzel, VW press spokesman yesterday. "Mr Lopez will not be part of the discussions."

Mr Witzel said that both Mr Lopez and VW had agreed to talk about Mr Lopez's future with the European company later in the year. This may "perhaps" lead to a decision to employ Mr Lopez later in the year, Mr Witzel said. It seems unlikely, however, that Mr Lopez would continue to work at GM while entertaining the possibility of moving to a rival.

Last month Mr Jack Smith, GM chief executive, promoted Mr Lopez to vice-president and group executive in charge of worldwide purchasing in an effort to prevent him from leaving.

Mr Lopez is credited with giving GM's European operations the most competitive cost structure of any European volume carmaker.

VW labours under probably the worst cost structure of any European volume carmaker and Mr Piëch's apparent success in wooing him was seen as an important step in regaining competitiveness.

Bernard Simon reports on digging for diamonds in the frozen Northwest Territories

Search for glittering prizes beneath the Canadian ice

Anybody who works outdoors at this time of year in Canada's Northwest Territories must have a very good reason. Temperatures plummet as low as -40C, and feel even lower when fierce winds whip across the snow-covered Arctic tundra. A shovel's metal blade becomes so brittle that it is liable to snap when weight is put on it. Trucks and machinery must be kept running around the clock to prevent their engines freezing.

A group of drillers and geologists employed by BHP, the Australian steel and mining group, are braving these frigid, and often hazardous, conditions on a frozen lake 310km north-east of Yellowknife.

Shielded from the wind by tarpaulins, they are working 12-hour shifts, day and night, around two 15-metre high drilling rigs. The men have five days of emergency rations on hand in case blizzards cut them off from their base camp, just 4km away.

By the time the ice starts melting in late April, the drills will have extracted 400 tonnes or more of kimberlite rock from beneath the lake, and at least one other site nearby. BHP and its partners are quietly confident that the samples will contain enough high-quality gems to move towards construction of North America's first diamond mine.

Mr Hugo Dummett, BHP Minerals' exploration manager in North America, says he will be sorely disappointed if a mine does not materialise. "We're minimising our chances of failure," he says. BHP, which would have a 51 per cent stake in the project, plans to spend at least C$3m ($2.4m) on the drilling programme this year.

Mr John Lydall, mining analyst at First Marathon Securities in Toronto, said in a recent report that if a mine is built, it could supply about 7 per cent of the world's diamond market.

The hunt for diamonds in the Northwest Territories has turned into one of the biggest stampedes in North American mining history. Besides BHP, a cluster of companies ranging from heavyweights such as De Beers and Kennecott, to junior exploration outfits with such tantalising names as Kalahari Resources, have staked claims covering 103,600sq km, an area about the size of Portugal.

One timber supplier in Yellowknife reports that it has sold 210,000 wooden stakes in the past 12 months to mining companies, compared with 25,000 in a normal year.

The staking frenzy is reflected in the share prices of some of the players: Dia Met Minerals, BHP's Canadian partner, now has a market value of almost C$450m, with its share price zooming up from less than a dollar in late 1991 to C$43 now. Two French banks, Société Générale and Crédit Lyonnais, are in the process of buying C$13m worth of Dia Met stock.

The story of diamond fever in the frozen north goes back to the early 1980s when Mr Dummett, who then worked for Superior Oil, was tipped off by a bush pilot that De Beers was prospecting along the Mackenzie River. Under cover of darkness, Mr Dummett and Mr Charles Fipke, a Canadian geologist and Dia Met's founder, landed a helicopter close to the De Beers camp and picked up some samples of their own.

Over the next few years, the search moved gradually eastward towards the source of the vast ice sheet which millions of years ago scraped up – and then deposited – metal-bearing rocks across northern Canada.

The BHP-Dia Met joint venture, which was formed in 1990, made a breakthrough in late 1991 in the Lac de Gras area, 350km east of the Mackenzie River. Samples from a kimberlite pipe beneath Point Lake yielded 101 carats of diamonds, equal to about 70 carats per 100 tonnes, which is well above the grade normally required to justify a mine.

The purpose of this winter's drilling programme is to extract bigger samples from other kimberlite pipes on BHP's 875,000 acre claim. At least two – but probably more – pipes are being targeted.

The frozen samples are transported by truck to a Dia Met processing laboratory in Colorado. The results will be made known later this year.

BHP wants to have a sample of at least 2,000 carats before it decides whether to press ahead with construction of a mine, or discusses marketing arrangements.

The partners are already confident that the quantity of diamonds in the Lac de Gras kimberlite pipes is sufficient to support a sizeable mine milling around 10,000 tonnes of ore a day. Their optimism is based largely on the results of research conducted by Professor John Gurney, a geo-chemist at the University of Cape Town.

Prof Gurney's theory, which appears to be supported by almost every diamond discovery around the world, is that a kimberlite pipe is virtually certain to contain diamonds if the purple-grey garnets in the pipe combine a high chrome content with less than 4 per cent calcium. According to the BHP team, the calcium content of the garnets found around Lac de Gras is 0.7 per cent or lower.

What still remains to be established however, is the quality of the Lac de Gras diamonds. According to Mr Fipke, "we can predict diamond grades. But no one can predict the per cent of gem quality." Roughly one out of 200 kimberlite pipes contain diamonds, but only one in 20 of those has a high enough proportion of gemstones to justify a mine.

The Northwest Territories diamond rush may yet come to naught. In spite of the excitement, mining analysts caution that the shares of the companies involved are for speculators only.

But if all goes well at Lac de Gras, BHP and its partners could have a mine in operation by 1997 or 1998. They are unconcerned by the recent glut in the world diamond market.

With many of the alluvial mines on the west coast of sontbern Africa as well as the big Argyle property in Australia likely to run out of stones within the next decade or so, the hope is that any new mines in the Northwest Territories will come on stream at just tha right time.

LSE in move to contract out information

By Richard Waters in London

THE London Stock Exchange is close to contracting out its Topic information system in a move designed to turn it into a wholesaler of stock market information, rather than a retailer.

Together with its desire to hand over settlement to a new clearing house in the wake of the Taurus fiasco, this would leave London with a slimmed-down stock market authority.

The plan to contract out Topic has replaced earlier moves to sell what is the leading carrier of price information and news for the UK stock market.

The exchange will benefit from a royalty from future profits on Topic, and could eventually sell it to the new operator.

Selling information and charging settlement fees last year contributed £101m of the exchange's £194m ($278m) of income. By largely pulling out of these businesses, the institution – still reeling from its failure to complete the Taurus automated settlement system – would fall back on charging trading fees to its members and listing fees to companies.

The exchange intends to remain a low-cost wholesaler of share price information. It is planning to spend £18m on what it calls a new "ticker plant" – a mechanism that would take share price information from the market's central computers and provide electronic information feeds to retailers such as Reuters and the new Topic operator.

Telerate, the US provider of financial information, is believed to be the exchange's favoured contractor, although discussions are also continuing witb the Swiss-based Telecurs and at least two other companies.

A map to put Sweden on the path to recovery

Economics Notebook

By Christopher Brown-Humes in Stockholm

Sweden's political and economic woes were on full display last week, with the government plunged into crisis over its budget proposals and a string of large companies reporting huge losses. Asida from the risk of a summer general election, which will take place if the government loses a confidence vote on Wednesday, there is deepening gloom about the economy's prospects for early recovery.

There could hardly have been a better time then for the independant panel of economists, led by Professor Assar Lindbeck, to present its analysis of the deep-seated problems in the Swedish economy. Commissioned by the government in December, just three weeks after the government was forced to float the krona, the report'a task was to map out a course to sustainable economic recovery.

It pulls few punches in its analysis of Sweden's economic plight. As symptoms of the malaise, it cites a 10 per cent drop in industrial production in 1990-91, an unemployment level of 12 per cent (if various training schemes are included) and a budget deficit in the current fiscal year of about SKr200bn ($25.8bn), or 13 per cent of GDP.

"We are in a very deep crisis and the worst lies ahead of us," said Professor Lindbeck. "It will be a long and painful process before several decades of mistakes and recklessness can be put to rights."

The report is nothing if not comprehensive. It presents no fewer than 113 recommendations, calling for radical reform of the political and economic system, and covering everything from income policy to lengthening the school day. Although it gives some proposals more weight than others, it urges them to be considered as a whole.

The banking crisis, the budget deficit and unemployment are identified as top priorities. The commission broedly endorses Sweden'a current monetary strategy, calling for the central bank to continue its policy of cautiously lowering interest rates, rather than adopting the UK approach of sharp and rapid cuts. To follow the UK example, it says, would risk inflation and redneced domestic demand.

But it is highly critical of current bank borrowing charges, which it says are doing more to cripple amall business than high money market rates. This requires a quick resolution of the financial crisis, because banks are charging borrowers high rates to rebuild capital bases ravaged by huge credit losses. The shake-up requires new capital as well as new competition, inclnding from foreign banks. Where the state has to take over a bank, the good and bad parts should be promptly separated, with the good part being sold back to the market within n year.

As far as the budget deficit goes, the report warns that on current trends Sweden's public debt:GDP ratio is set to reach 70 per cent by the turn of the century. It therefore calls for further savings of np to SKr70bn in the next five years to stabilise debt at 40-50 per cent of GDP by 1998. Most of these savings would have to fall on the years from 1995 onwards, simply because the economy is currently too weak to absorb more cuts. To help with the savings programme, further reductions in Sweden'a welfare paymants are proposed, including cuts to sickness and unemployment benefits.

High long-term unemployment is identified as the most serious risk for Swedish society. Bnt Professor Lindbeck also wants the country to get better valne for money out of the SKr90bn a year which it already spends on the problem. That means cutting the pay within some schemes and shifting towards less expensive programmes.

What tha report does not recommend is any general reduction in Swedish tax levels – significant in that this was an important plank of policy when the centre-right minority coalition government, under prime minister Mr Carl Bildt, came to power in 1991. But the omission only emphasises the seriousness of the country's financial position, which has already forced the Bildt government to abandon its tax-cutting plans.

The commission is as insistent on the need for political reform as it is for economic change. It calls for an extension of government's current three-year mandate period, fewer MPs and standing committees, a strengthening of the budget process and reduced interest group influence over policy. It presents a timetable for very little of the package, bnt makes it plain that time is not on Sweden's side.

Professor Lindbeck is a respected economist both at home and abroad, as well as being the head of the committee which chooses Nobel Prize winners in economics. There is no doubt that his views carry weight. But will they be implemented?

Officially, the report now goes out to consultation to give a wide range of different organisations the opportunity to present their comments before it is reconsidered by the government later in tha year. Unofficially, tha government is free to act on its recommendations mnch earlier, possibly incorporating some of them in next month's supplementary budget.

Most of Sweden's leading economists believe the report comes up with the right measures to revitalise the country's economy. The reception given to it by politicians and various interest groups last week was predictably more mixed. The government was certainly entbusiastic, saying it provided strong support for its existing policies. Even the opposition Social Democrats appeared to go along with much of it, although they did not like what it had to eay about lahour market reform. Only the unions appeared to be overtly hostile.

One danger is that only the "easy" parts of the programme will be implemented, not the painful ones. Another is that the recommendations are not carried out as swiftly as the commission feels they should be.

A more immediate risk, however, is that the current political turmoil will distract attention away from proper consideration of the document. Given the extent of Sweden's economic difficulties, the country can ill afford three months of uncertainty which a summer election would entail.

GPA seeks outside investors for share issue

By Roland Rudd and Robert Peston in London

GPA GROUP is looking for outside "strategic investors" to take up to 40 per cent of the $200m convertible preference share issue necessary for its survival.

Nomura International, the Japanese securities house, the aircraft leasing company's leading adviser on the rights issue, has told it that its existing shareholders are unlikely to subscribe more than 120m of the 200m convertibles on offer. These affectively value the shares at $1, compared with a price less than a year ago of $30.

Nomnra has asked shareholders to give indicative responses before Friday, when the group'e temporary waivers of the banking covanant breaches expire.

According to one of GPA's banks, around 80 per cent of the gronp's lenders have agreed to the $5.5bn debt restructuring proposals, bnt only on condition that the preference issue takes place.

The company needs the debt restructuring to be completed soon so that it can raise finance in the bond markets.

Many of GPA's shareholders have indicated that they are unlikely to take part in the issue unless an outside institution invests in the company. Shareholders are also watching whether the company'e four biggest investors, with 35 per cent, anpport the issue. One shareholder said: "Everyone is waiting to see how the big four jump. No one wants to be first to pnt np any money."

Bluff and counter bluff, Page 16

11% stakeholder decides to reject Airtours' bid

By Richard Gourlay

PHILLIPS AND Drew Fund Management, a 10.8 per cent shareholder in holiday company Owners Abroad, is understood to have decided not to accept the £294m hostile bid from rival Airtours.

The decision follows the news last Friday that Mercury Asset Management would cast its 15 per cent shareholding behind Airtours.

PDFM's decision will revive confidence in the Owners camp ahead of the close of the bid tomorrow. Its loyalty could turn out to be the deciding factor that narrowly allows Owners to retain its independence.

Both holiday companies will be anxious to see whether Thomas Cook, the travel agency, enters the market to buy Owners shares this morning.

The German-controlled group and its sister, LTU, the German tour company, have proposed a commercial tie-up with Owners and last week made a conditional offer for 12.5 per cent of Owners' shares at 150p if the Airtours' bid falls. At Friday's close Airtours' paper offer was worth 149.3p.

Meanwhile, Airtours is today likely to switch the focus of its attack. The company will argue that shareholders should examine the likely shape of the Owners' share register and the number of large shareholdings that would overhang the market should the bid fail.

MAM and Airtours, with seven per cent of Owners' shares at the moment, would be likely sellers as would other shareholders who assented the offer, Airtours will argue. Up to about 30 per cent of Owners would be held by either directors or Thomas Cook.

Mr David Crossland, Airtours chairman, said yesterday that this would severely restrict liquidity and the Thomas Cook stake would effectively give the Germans a blocking interest and control.

"The downside of an independent Owners Abroad is a frightening scenario," he said. "The Germans are still trying to get control of a public company, and a fairly substantial one, in England." He added: "Owners Abroad will end up a satellite of the German company which will view it as bid proof."

The Airtours' chairman said that the tie-up had been "cooked up to spoil our bid."

Owners' advisers rejected the argument about the potential overhang. They said Thomas Cook's tender would soak up some of the shares and that there were buyers of Owners if its price fell. There could also be yield support about 130p.

"People's understanding of Thomas Cook deals is much better now," an adviser said. "Institutions and markets may re-rate Owners Abroad."

Pittencrieff launches bid for Aberdeen Petroleum

By Paul Taylor

PITTENCRIEFF, the acquisitive Edinburgh-based oil and gas group, has launched a conditional £7.5m all-paper offer for Aberdeen Petroleum which is itself embroiled in a hostile takeover bid for fellow energy explorer, Brabant Resources.

The company said its offer is conditional upon Aberdeen's bid for Brabant not succeeding.

Under the terms of the bid Pittencrieff would swap two of its shares for every 49 Aberdeen shares. Pittencrieff's stock closed at 356p on Friday and the company claimed its offer values Aberdeen's shares at just over 14½p each. Aberdeen's stock was unchanged at 15½p ahead of the announcement.

Pittencrieff said it was making the offer in order to further expand its oil and gas development and production activities in the US and Canada where Aberdeen's assets are mostly sited.

The bid was immediately rejected as "totally inadequate" by Aberdeen, which successfully fought off a takeover bid worth £5.5m from US rival Bellwether Exploration in January before launching its own hostile all-paper bid for Brabant last month.

Aberdeen claimed that the Pittencrieff bid represents a 47 per cent discount to its net assets, and that its combined reserves with Brabant would be 2.5 times those of Pittencrieff. Mr David Hooker, Aberdeen's managing director said: "We remain convinced that the oil and gas sector should be consolidated in order to add value for shareholders. However, Pittencrieff's current offer completely fails to realise the full value of Aberdeen's assets."

Pittencrieff's move had been widely expected since the company acquired a 18.6 per cent equity stake in Aberdeen at the end of January – a stake which has since grown to 19.1 per cent. The market has been expecting a rationalisation of the smaller UK oil "minnows".

In support of its bid Pittencrieff claimed that its offer represented a 73 per cent premium over Aberdeen's closing price on January 8, the day before Bellwether announced its abortive bid.

The risks of bluff and counter bluff

Roland Rudd on the concern surrounding GPA's $5.5bn restructure

GPA Group's shareholders and its banks are involved in a game of bluff and counter bluff.

At stake is the future of the aircraft leasing company which hopes to complete its $5.5bn (£3.87bn) restructuring by the end of the month.

Lenders to GPA have made it clear that the restructuring is dependent on investors taking part in a $200m rights issue of convertible preference shares. But some shareholders are having difficulty in taking the banks at their word. After all, what is $200m, asked one investor, to a group with debts of $5.5bn?

Most of GPA's banks have already agreed to support its plan of halving its borrowings over the next three years. GPA confidently expects others to follow suit in the next few weeks.

The aircraft manufacturers have also agreed in principle to cancel or change contracts, reducing firm orders for new aircraft from nearly $11bn to between $2bn and $3bn.

Having got this far, some shareholders doubt whether the banks would be willing to jeopardise the company's survival by saying no to a restructuring just because they failed to raise $200m.

The banks, however, say they could not be more serious in warning of the dire consequences if shareholders do not come up with the cash. By not taking up the convertible – which convert into shares at $1 – they would be saying something about the perceived price of the shares which most lenders do not want to hear.

As one of the bankers involved in the restructuring put it: "If GPA's investors do not think it is worth subscribing for new shares at $1, with a yield of 7 per cent, then they are effectively saying they are not worth anything."

One of the group's US shareholders has already effectively said this by writing off its entire GPA stake. Overseas Shipholding Group, one of the biggest publicly-quoted bulk shipping companies with a market capitalisation of $552m, is providing $13.1m against its GPA investment.

OSG reissued its fourth quarter results for 1992 to take the provision retroactively. As a consequence its net income for last year fell from the previously reported $29.1m to $16m.

Ms Catherine Mathis, director of OSG's corporate relations, said: "The write-off of our investment was based upon information that recently became available". Although she would not elaborate it is understood that the company was referring to GPA's decision to price its convertible preference shares at $1.

GPA's advisers have made it clear that the third attempt to raise cash in less than a year is the last. It is not as if they could come back with yet another proposed preference share issue with an even lower conversion price.

Nomura International, the Japanese investment house working on the convertible, has told shareholders that without their participation the banks will have no choice but to take effective control of the company. By not underwriting the issue Nomura, which itself has 1.75m GPA shares bought at an average of $20 a share, has made it clear that only shareholders' involvement can ensure the company's survival.

If the group was forced to abort the rights issue its lead banks might look at the possibility of reducing the burden of borrowings through a debt for equity swap. But with more than 100 banks involved in the restructuring the biggest lenders do not think they would stand a chance of winning approval.

Yet it is still not clear that investors will subscribe to the new shares.

Mr Jack Hersch, director of research at MJ Whitman, the Wall Street firm specialising in bank debt trading, said: "GPA's new shares are being sold as an option on the basis that the company manages to survive without more restructuring. The low option price signifies the low likelihood of success."

Nomura has accepted that around 80m of the shares will have to be marketed to new institutions. But existing GPA shareholders will have to subscribe for at least 120m new shares if the issue is to succeed.

The company must be hoping that a majority of its investors do not call the banks' bluff by refusing to take part.

Shaw Industries acquires Kosset Carpets

By Steve Thompson

Kosset Carpets, the biggest carpet manufacturer in the UK, has been bought for an undisclosed sum by Shaw Industries of the US. Shaw, the largest carpet manufacturer in the world, has no European manufacturing base.

Kosset emerged from the ruins of Coloroll, the home furnishings group run by Mr John Ashcroft, which collapsed in 1989, via a £10m management buy-out engineered by Kosset's chairman and chief executive, Mr John Parker. Mr Parker will retain his position at Kosset.

Shaw has guaranteed the 720 jobs at Kosset's manufacturing plant in Bradford and is expected to invest heavily in an expansion plan.

Sotheby's falls to $6.5m as auction income dives

By Peter Pearse

PRE-TAX profits at Sotheby's Holdings, the auction house which is controlled by the Detroit-based Taubman family but still quoted in London and New York, tumbled from $21.5m to $8.49m, or £4.57m sterling, in 1992.

The main cause of the fall was that pre-tax income from auctions declined to $4.02m ($18.9m) on revenues up slightly at $200.9m ($193.9m), though profits from financial services slipped to $5.21m ($7.81m) on revenues down at $14.5m ($20.6m).

However real estate profits grew to $2.09m ($312,000) on revenues ahead at $9.63m ($7.83m).

The company said: "Auction sales increased modestly" to $1.13bn ($1.1bn). Operating income emerged at $1.1m (losses $3.82m), though this excluded income from Sotheby's principal activities sharply down at $1.77m ($15.9m) and one-off restructuring costs of $4.86m. This resulted in operating losses from the auction activities of $1.99m (profits $12.1m).

Earnings per share dropped to 7 cents (25 cents).

The company said there had been improvements in certain areas and that the Impressionist and Modern market had been more stable. Here the $10m barrier was broken for the first time since 1990 when Henri Matisse's *L'Asie* was sold for $11m. It added that in 1992 it had sold 70 works for more than $1m, against 51 in 1991.

Platon shareholders told to ignore offer from Wills

By Paul Taylor

PLATON International, the USM-quoted instrumentation group fighting a hostile £2.88m bid from Wills Group, has issued its formal defence document urging shareholders to ignore Willis' 27p-a-share paper offer.

In its letter to shareholders the Platon board, led by Mr Robin Meyer, chairman, again describes the Wills offer as "wholly inadequate," and urges them to take no action on the bid.

Wills, an industrial, electronic and automotive products company, acquired 30,000 Platon ordinary shares (0.03 per cent) at 26½p each 10 days ago and has received irrevocable undertakings to accept the offer from shareholders holding a further 15.7 per cent.

The offer closes on Friday.

Midland Ind Newspapers buys 8 titles

Midland Independent Newspapers is to buy 8 titles in the Thomson Regional Newspapers north division. The titles, which have a distribution of almost 500,000, would double the size of MIN's free weekly operation.

The free weeklies are all based in the East Midlands and form part of Thomson Free Newspapers' Herald and Post series.

MIN, formed after a management buy-out of the Birmingham Post and Mail and Coventry Evening Telegraph in November 1991, announced a fourfold increase in trading profits to £7.3m for the first half of 1992.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
British Airways (UK)	Qantas (Australia)	Airlines	£325m	25% stake sealed
Royal Pakhoed (Netherlands)	Panocean Storage & Transport (UK)	Storage	£55m	Price includes debt
Nissan Motor (Japan)/ Zhengzhou Light Truck (China)	Zhengzhou Nisson Automobile (JV)	Trucks	£30m	Production venture
Thomas Cook (UK/Germany)	Owners Abroad (UK)	Travel	£29m	Unusual 12½% tender
Time Products (UK)	Judith Leiber (US)	Luxury goods	£12m	Brand purchase
Peek (UK)	Signal Control/Signal Maintenance (US)	Traffic systems	£2.9m	Continues overseas expansion
Nippon Investment & Finance (Japan)	Advanced Risc Machines (UK)	Semiconductors	£0.7m	Venture capital stake
Rothmans Int'l (UK)/Nevo Tobacco (Russia)	Rothmans Nevo (JV)	Tobacco	n/a	Plans for £55m investment
Atlas Copco (Sweden)	Robbins Company (US)	Boring machines	n/a	Strengthens sector position
PepsiCo (US)	FAU (Hungary)	Soft drinks	n/a	Buying bottler
Zurich Insurance (Switzerland)	Municipal Mutual Insurance (UK)	Insurance	n/a	Negotiations concluded

TANJONG
PUBLIC LIMITED COMPANY

(Incorporated in England under the Companies Acts 1908 – 1917: No. 210874)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Tanjong public limited company will be held at 10.00 a.m. on Thursday, 1 April 1993 at the Anteroom, Lower Lobby, Kuala Lumpur Hilton, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as Ordinary Resolutions:-

ORDINARY RESOLUTION 1 – PROPOSED SUBDIVISION OF SHARES

"That subject to the relevant approvals of The Kuala Lumpur Stock Exchange and the London Stock Exchange, all the existing issued and unissued shares of 15 pence par value in the capital of the Company be and are hereby subdivided into shares of 7.5 pence par value each and accordingly two (2) new shares of 7.5 pence each shall be issued to the shareholders in exchange for each existing share of 15 pence each and that each new share of 7.5 pence par value shall have the same rights, save as relate to its par value, as the existing shares of 15 pence each and that fractions arising from this subdivision shall be treated in the manner set out in the Circular dated 15 March 1993 addressed to the shareholders of the Company."

ORDINARY RESOLUTION 2 – PROPOSED EMPLOYEES' SHARE OPTION SCHEME

"That subject to the relevant approvals of the Registrar of Companies and The Kuala Lumpur Stock Exchange, all of Malaysia, and the London Stock Exchange, the Directors of the Company be and are hereby authorised:-

(i) to establish and administer an employees' share option scheme for the benefit of eligible employees and full-time Executive Directors of the Tanjong Group to be known as the "Tanjong public limited company Employees' Share Option Scheme" (the "Scheme") referred to in the Circular dated 15 March 1993 and addressed to the shareholders of the Company and details of which are contained in Appendix II of the said Circular and subject to such amendments to the Scheme as may be made or required by the relevant authorities;

(ii) to modify and/or amend the Scheme from time to time provided that such modifications and/or amendments are effected in accordance with the provisions of the Scheme relating to modifications and/or amendments and to do all such acts and to enter into all such transactions, arrangements and agreements as they may deem necessary or expedient in order to give full effect to the Scheme;

(iii) to allot and issue any shares of the Company from time to time pursuant to the Scheme and that the said shares shall, upon allotment and issue, rank *pari passu* in all respects with the then existing shares of the Company save that they will not entitle the holders thereof to receive any rights and bonus issues announced or any dividend or distribution declared to the shareholders of the Company as at a date which precedes the date of the exercise of the option or dividends which relate to a financial year that precedes the date of exercise of the option and will be subject to all the provisions of the Company's Articles of Association; and

(iv) to ensure that the total number of shares to be issued by the Company in respect of which options are granted to the grantees (which takes into account the equivalent of three million and thirty-eight thousand (3,038,000) shares reserved for certain directors, employees and agents of the Group pursuant to the public listing of the Company) shall not exceed fifteen million seven hundred and ten thousand (15,710,000) shares which represents not more than five per cent. (5%) of the Company's issued share capital at the date of adoption of the Scheme"

ORDINARY RESOLUTION 3 – OPTION(S) TO EXECUTIVE DIRECTOR OF TANJONG

"That subject to the adoption of Resolution 2 above, the Board of Directors of the Company be and is hereby authorised to offer and to grant to Khoo Teik Chooi, being a full-time Executive Director of the Company, option(s) under the Scheme, to subscribe for such number of shares of 7.5 pence each in the capital of the Company as does not exceed five hundred thousand (500,000) in number and subsequently upon exercise of the option(s) by the aforementioned Executive Director, to issue and to allot to him from time to time such number of shares of 7.5 pence each in the capital of the Company as may be subject to acceptance by him, in accordance with the terms and conditions of the said Scheme and without the need for any further approval from the members of the Company in general meeting pursuant to Article 8(c) of the Company's Articles of Association."

ORDINARY RESOLUTION 4 – OPTION(S) TO EXECUTIVE DIRECTOR OF TANJONG

"That subject to the adoption of Resolution 2 above, the Board of Directors of the Company be and is hereby authorised to offer and to grant to Tan Poh Ching, being a full-time Executive Director of the Company, option(s) under the Scheme, to subscribe for such number of shares of 7.5 pence each in the capital of the Company as does not exceed five hundred thousand (500,000) in number and subsequently upon exercise of the option(s) by the aforementioned Executive Director, to issue and to allot to him from time to time such number of shares of 7.5 pence each in the capital of the Company as may be subject to acceptance by him, in accordance with the terms and conditions of the said Scheme and without the need for any further approval from the members of the Company in general meeting pursuant to Article 8(c) of the Company's Articles of Association."

ORDINARY RESOLUTION 5 – OPTION(S) TO EXECUTIVE DIRECTOR OF TANJONG

"That subject to the adoption of Resolution 2 above, the Board of Directors of the Company be and is hereby authorised to offer and to grant to Augustus Ralph Marshall, being a full-time Executive Director of the Company, option(s) under the Scheme, to subscribe for such number of shares of 7.5 pence each in the capital of the Company as does not exceed five hundred thousand (500,000) in number and subsequently upon exercise of the option(s) by the aforementioned Executive Director, to issue and to allot to him from time to time such number of shares of 7.5 pence each in the capital of the Company as may be subject to acceptance by him, in accordance with the terms and conditions of the said Scheme and without the need for any further approval from the members of the Company in general meeting pursuant to Article 8(c) of the Company's Articles of Association."

ORDINARY RESOLUTION 6 – OPTION(S) TO EXECUTIVE DIRECTOR OF TANJONG

"That subject to the adoption of Resolution 2 above, the Board of Directors of the Company be and is hereby authorised to offer and to grant to Tan Tatt Hoar, being a full-time Executive Director of the Company, option(s) under the Scheme, to subscribe for such number of shares of 7.5 pence each in the capital of the Company as does not exceed five hundred thousand (500,000) in number and subsequently upon exercise of the option(s) by the aforementioned Executive Director, to issue and to allot to him from time to time such number of shares of 7.5 pence each in the capital of the Company as may be subject to acceptance by him, in accordance with the terms and conditions of the said Scheme and without the need for any further approval from the members of the Company in general meeting pursuant to Article 8(c) of the Company's Articles of Association."

ORDINARY RESOLUTION 7 – OPTION(S) TO SECRETARY WHO IS A DIRECTOR OF TANJONG

"That subject to the adoption of Resolution 2 above, the Board of Directors of the Company be and is hereby authorised to offer and to grant to Director David Kuok, being a full-time Secretary of the Company, option(s) under the Scheme, to subscribe for such number of shares of 7.5 pence each in the capital of the Company as does not exceed two hundred thousand (200,000) in number and subsequently upon exercise of the option(s) by him, to issue and to allot to him from time to time such number of shares of 7.5 pence each in the capital of the Company as may be subject to acceptance by him, in accordance with the terms and conditions of the said Scheme and without the need for any further approval from the members of the Company in general meeting pursuant to Article 8(c) of the Company's Articles of Association."

BY ORDER OF THE BOARD

DAVID KUOK
Secretary

17th Floor Menara Boustead
Jalan Raja Chulan, 50200 Kuala Lumpur
Malaysia

Date, 15 March 1993

Notes:
1. A member of the Company entitled to attend and vote is entitled to appoint one or more proxies of his own choice to attend and vote instead of him.
2. A proxy need not be a member of the Company.
3. The form of proxy must be deposited at the Company's Principal Office at 17th Floor, Menara Boustead, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for the meeting or adjourned meeting. Return of a completed form of proxy will not preclude a member from attending and voting in person at the meeting, should the member subsequently wish to do so.

NOTICE OF REDEMPTION

U.S. $200,000,000

Guaranteed Floating Rate Notes Repayable at the Option of the Holder at Par Commencing October 1982

Citicorp Overseas Finance Corporation N.V.

(successor to Citicorp Overseas Finance Corporation Limited)
(a corporation existing under the laws of Aruba, Netherland Antilles)

Unconditionally guaranteed by

CITICORP

NOTICE IS HEREBY GIVEN THAT Citicorp Overseas Finance Corporation N.V. has elected to redeem on April 21, 1993 (the "Redemption Date") U.S.$3,430,000, representing the entire outstanding principal amount of the Notes (the "Notes") at a redemption price equal to the principal amount thereof plus interest accrued to the Redemption Date. On and after the Redemption Date, interest on the Notes will cease to accrue.

The Notes are to be redeemed at the main offices of Citibank, N.A. in London, Brussels, Paris, Frankfurt Main, Amsterdam, at the main office of Citibank (Luxembourg) S.A., in Luxembourg, or at the main office of Citibank (Switzerland) in Zurich.

Payments on the Notes will be made upon presentation and surrender of the Note at the offices set forth in the preceding paragraph on the Redemption Date with all interest coupons maturing subsequent to said date.

On or after April 21, 1993, interest on the Notes will cease to accrue.

Coupons due April 21, 1993 should be detached and presented for payment in the usual manner.

March 15, 1993
By: Citibank, N.A. Fiscal Agent

CITIBANK

US $205,000,000

Kidder Peabody Mortgage Finance Ltd.

Guaranteed Secured Floating Rate Notes due 1997

For the period from March 15, 1993 to June 15, 1993 the Notes will carry an interest rate of 3.88125% per annum with an interest amount of US $991.87 per US $100,000 principal amount of Notes payable on June 15, 1993.

Agent Bank:
Bank of America NT & SA
London

Consortium to cover Comptoir's urgent cash needs

By William Dawkins in Paris

A CONSORTIUM of financial institutions has agreed to cover the immediate cash needs of Comptoir des Entrepreneurs, a French 145-year-old property bank crippled by bad loans on commercial property, pending a FFr1bn ($176m) recapitalisation.

The Banque de France, the French central bank, said the main credit institutions in Paris had agreed to refinance CDE'e treasury needs, but did not reveal their names or the amount. The move is the latest example of the French financial authorities' strategy of trying to defuse the worst financial impact of the Paris commercial property crisis, and as such is likely to be welcomad by the market. CDE made a consolidated loss of just over FFr1bn last year after heavy property write-downs.

CDE's shareholders, led by AGF, the state-owned insurer, are putting the finishing touches to a FFr800m issue of fresh equity and FFr200m of perpetual subordinated securities, to be presented at the next board meeting on Wednesday. Other leading shareholders include Depfa, a German mortgage bank, and UAP, the largest French state insurer.

The group was founded in 1848 to provide state-subsidised loans for cheap housing but expanded into normal commercial and private property lending after that role was wound down in 1984. It now has FFr10bn of risky loans to property industry professionals, on which it has made FFr2bn of provisions.

CDE's management is urging the government to guarantee more of the group'e own borrowings, which it says is essential to restoring its credit rating. Because of CDE's financial problems, the S&P Adef French credit rating agency recently lowered its ratings on CDE.

Currently, the state guarantees FFr34bn of CDE's debts, left over from its old role as e financer of cheap housing, on top of which the group has another FFr42bn of debt, including FFr28bn of property bonds. The government has so far been cautious over extending this kind of support.

Promodès ahead 19% in sluggish retail sector

By Alice Rawsthorn in Paris

PROMODES, one of France's largest retail groups, managed to increase net profits by 19.4 per cent to FFr555m ($98m) in 1992 from FFr465m in 1991 despite the slowdown in the French economy and the pressures on the retail scene.

The group, already one of the largest participants in France's dynamic hypermarket sector and which has recently been expanding its international activities, notably with the 1991 acquisition of Plaza in Germany, saw turnover rise by 10.3 per cent to FFr84.2bn last year from FFr76.37bn in 1991.

Last year the French retail sector came under pressure because of the general strains on the French economy. The combination of high real interest rates and fears of rising joblessness has depressed confidence and consumer spending was static during the year.

Promodès produced a 32.5 per cent increase in operating profits to FFr1.76bn in 1992 from FFr1.33bn in 1991.

The group said that it lost money on some of its new international subsidiaries, but countered this with a strong performance from its existing interests.

Earnings per share rose by 19.7 per cent to FFr33.5 last year from FFr28.0 in 1991. The board proposed raising the dividend by 20 per cent to FFr7 a share for 1992.

Deutsche Telekom to start private cellular arm

By Ariane Genillard in Bonn

DEUTSCHE Telekom, the German telecommunicetions state monopoly, will create a private subsidiary to operate its cellular telephone networks and fight mounting competition in the domestic market, Mr Halmut Ricke, the chief executive announced.

The enbsidiary, Dentsche Telekom Mobilfunk, will hava a basic capital of between DM300m and DM1bn and will start operating in January 1 1994. Sales for the first year are expected to be DM3.5bn ($2.1bn) and to grow to DM8bn by 2000.

The move could pave the way for the group to privatise other divisions, except its traditional telephone services which, according to the national constitution, must be nnder state administration.

The company has been urging the government to push ahead with full privatisation. Talks on the issna reopened last week in Bonn between the ruling coalition parties and the opposition Social Democrats, whose approval is needed to change the constitution.

The subsidiary will operate the existing C and D1 cellular telephone networks, which compete with the D2 network operated by Mannesman, the German engineering group.

Other competitors include a consortium headed by Thyssen and Veba, the German industrial groups, Bellsouth of the US and Vodafone of Britain which was recently awarded a licence to develop and operate a new network, with 3m subscribers expected by the end of the decade.

● Deutscha Telekom elso announced it will join forces with Preussag, the German steel and engineering gronp, and Alcatel Sel, to form a company which will recycle electronic goods.

The company also announced the creation of e venture with e consortium of Ukrainian companies to develop telecoms in the former Soviet republic.

IRI in L340bn funding deal with telecoms unit

By Robert Graham in Rome

AN INCREASINGLY serious financial crisis is forcing IRI, the principal Italian state holding company, to squeeze funds for the second time in five months from Stet, the cash-rich subsidiary controlling its telecommunications holdings.

In an unprecedented move, IRI has reached provisional agreement to cede to Stet for three years the dividend on 440m shares held in Comit, the commercial bank.

Stet would in turn pay L340bn ($215m) in advance to IRI at the rate of an average annual return of 23 per cent from the Comit shares. The return on income has been computed to include e complex system of tax breaks.

The deal has yet to be formally approved by both parties but leaked details were later confirmed by IRI.

Indeed, Stet management has already begun to defend what promises to be a controversial arrangement at a time when the group needs heavy investment, and is due to see IRI's 53 per cent controlling atake privatised.

IRI was already criticised last October for selling off to Stet for L671bn control of Finsiel, its main software company.

Desplte both sides claiming the sale represented e match of synergies, analysts believed it was a means of IRI obtaining cash through the sale of Finsiel shares at an advantageous price.

This reasoning led to an immediate 23 per cent fall in Stet shares which only recovered after an extensive damage limitation exercise by the management.

The lataat arrangement bears all the hallmarks of dire necessity. IRI management has suffered two major sethacks recently. The privatisation process has proved slower than expected with deals such as the sale of its foodstuffs and supermarket group, Sme, and its banking assets being behind schedule.

More important, estimates of 1992 losses in Ilva, its steel arm, and in Iritecna, civil engineering, have increased almost five times to total L3,900bn.

While these losses need to be covered, IRI is also having to meet obligations on its consolidated debt totalling L70,000bn.

The combinetion of these two elements is putting enormous strain on IRI's financial resources, producing expedients like the proposal to cede dividends rights in Comit to Stet. Over the weekend critics argued that the Stet deal would not even ease the problems of Ilva and Iritecna losses.

Stet itself has to demonstrate its investments plans will not be affected by the cash handout to IRI. The Stet case appears to rest largely on being able to take advantage of take breaks on the deal.

In 1991 ENI, the state oil concern, a little noticed move ceded to a value of lire 475bn dividend rights in its subsidiary Snam, to Agip its exploration and production arm.

Italy's final step to private pension funds

The imminent move has already bolstered the stock market, writes Haig Simonian

Almost 11 years ago, Mr Enzo Berlanda, then a senator in the Italian parliament and today chairman of Consob, the country's companies and stock exchange watchdog, first drafted legislation for the creation of private pension funds.

This month, the government gave the funds the green light, putting another of the missing pieces of Italy's financial jigsaw into place and bringing the country closer in line with its big European neighbours.

Although still to be debated in parliament, the government's decision to use a decree law, by-passing lengthy discussion, means official approval for pension funds could come as early as next month.

That has already bolstered the stock market, where the prospect of a large injection of fresh institutional money has helped drive up prices.

The inauguration of private pension funds could also help the government's ambitious privatisation programme. One of the main obstacles has been the relatively small size and limited liquidity of the Milan bourse; any increase in the amount of funds flowing into the market should smooth the way for flotations or capital increases by cash-hungry state-owned companies.

The new law has boosted insurance stocks in particular. They are seen as the biggest potential beneficiaries from private pensions in view of their actuarial expertise and existing know-how in life insurance.

Mr Angelo Marchio, managing director of RAS, is bullish about prospects. "We're ready to go ahead as soon as the law is approved," he says. RAS is already active in pension or pension-related activities, by running pension plans for some big private companies or through its own life insurance policies for the public.

Like other insurers, Mr Marchio is keen for established insurance companies to play a central role in running the new private pensions. Although some details are still unclear, private pensions will be available in a variety of ways. Individuals will be able to take out their own schemes, while collective bodies, such as trade unions or professional associations, will also be able to offer private pensions to members, as will smaller companies which do not operate group pension schemes at present.

The insurers see a role both as agents, collecting and administering premiums and pension payments on behalf of organisations running their own schemes, and as principals, offering private pension plans directly to the public.

Mr Marchio also expects insurers to be active in managing funds. While some insurers might contract out administration to third parties, such as a bank or a Societa di Intermediazione Mobiliare, Italy's new brand of securities house, others will manage the money internally. RAS is already one of Italy's biggest institutional investors, with about L7,000bn ($4bn) in the 13 investment funds it now administers.

Some observers have predicted that the arrival of private pension funds could reshape Italian capitalism by creating a new source of long term risk finance for the stock market. The new, professionally-managed money could help to stabilise what is still a highly-speculative market and, some believe, persuade more of the country's privately-owned companies to go public.

Some observers have predicted that the arrival of private pension funds could reshape Italian capitalism by creating a new source of long term risk finance for the stock market

However, both Mr Marchio and Mr Gianmario Roveraro, managing director of Akros, a leading investment bank, are cautious as to whether pension funds on their own will do all that is expected.

"Our priority will be to pay pensions, so the risks of our investments will have to be examined very closely," says Mr Marchio. "If equities offer acceptable dividend yields and potential capital gains, they would be an obvious investment." But he says pensions funds in particular, which need to consider payment obligations well into the future, tend to require carefully-balanced portfolios involving a wide variety of assets.

"First you have to ask how much new money might be available – one theory is around L5,000bn a year," says Mr Roveraro. "Then you need to think how much of that will go into shares rather than bonds.

"Even in countries, unlike Italy, where shares offer better yields than bonds, and where the legislation covering the mix of pension fund investments is relatively liberal, only a relatively limited proportion of funds find their way into equities," he cautions. "I don't think the effect on the bourse will be dramatic. I see pension funds as one of a variety of measures which will help to create a bigger and more liquid equity market."

Mr Roveraro thinks the biggest impact will be on the bond side, where the new institutional money may help to deepen Italy's capital market by creating a pool of cash for long-term corporate borrowing.

At present, long-term domestic bonds are dominated by the government, which offers relatively high returns and tax incentives to entice private savings into funding the budget deficit. That has crowded out big corporate borrowers, which have been forced to use the Euromarkets, while smaller companies have fallen back on bank lending.

The arrival of private pension funds, which are natural buyers of long-term fixed-income securities, could help create a new long-term credit market, thinks Mr Roveraro. Borrowers could either be companies, or one-off issuers linked to essential public-works projects, such as new bridges or motorways.

"Why not issue a 25-year, index-linked security to fund a new highway project, for which big insurance companies would be natural takers?" he asks. Provided the new securities were granted equal treatment with government bonds, the paper would be highly appealing to institutional investors looking for fixed, inflation-protected returns, while broadening Italy's capital markets as a whole.

INTERNATIONAL CAPITAL MARKETS

FRENCH BONDS

A signal from Germany more vital than poll

THE PROSPECT of a general election should in theory cast a cloud of uncertainty over the bond market, but, in practice, France's forthcoming parliamentary elections have done nothing of the sort.

There are less than two weeks to go before the final round of voting in the French elections. The conservative opposition has such a strong lead over the ruling socialists lo the opinion polls that a change of government seems inevitable. But the right's economic policy is so similar to the left's that the Paris bond market has been spared the usual spate of pre-election oerves.

"The election isn't really a factor for the bond market," said Mr François-Xavier Chauchaud, economist at Banque Indosuez in Paris. "The hig issue for French bonds is the same as always – interest rates."

French hoods have been waxing and waning for months on speculation about whether – or, more recently, when – the Bundesbank will signal a serious reduction in German rates, thereby paving the way for the Bank of France to cut French rates.

For the past two weeks the Paris market has been huoyed hy a surge of interest from international investors, particularly from the US, in the expectatioo of action from the Bundesbank.

The market rallied again on Thursday, on the news of rate reductions in Denmark, Belgium and the Netherlands, only to waver on Friday when the foreign exchange markets renewed their pressure on the franc.

The yield on the benchmark 10-year OAT government bonds stood at 7.36 per ceot hy the eod of trading last week, against 7.28 per cent at the end of the previous week and 7.78 per cent a month before.

However the spread between French and German bonds, which rose as high as 100 basis points earlier this year when the markets mounted another assault oo the franc, is still relatively steep at around 80 basis points.

Economists expect the spread to fall steadily after the elections, providing interest rates come down. "The medium term outlook for French bonds is fairly promising," said Mr Jean-François Mercier, French economist at Salomon Brothers. "The Germans really must make significant cuts in interest rates soon, not only because of their commitment to the European Mooetary System hut also because of the growing pressures on their own economy."

Mr Chauchaud of Banque Indosuez suspects the spread could fall as low as 50 basis points hy mid-summer, hy when he reckons the yield on 10-year OATs should be 7 per cent. He expects a further fall in the spread from autumn onwards as the effects of lower interest rates alleviate tbe strains on the French economy.

However a lingering cause for concern is whether the oext French government will really be as stalwart as the socialists in its commitment to a strong Freoch currency. The jolnt manifesto of the RPR and the UDF says they will he. Leading figures in hoth parties have dutifully pledged their support to the *franc fort* policy.

The UDF is seen as much more solid on the currency front than the RPR, which includes a number of outspoken right wingers, notably Mr Charles Pasqua and Mr Philippe Séguin, who led the anti-Maastricht campaign in last autumn's referendum and have since called for the devaluatioo of the franc.

The RPR has edged ahead of the UDF in the latest polls, thereby raising fears that an RPR prime minister, such as Mr Edouard Balladur, finance minister in the last conservative government, could come under pressure to devalue from the Pasqua/Séguin faction.

"The hood market is waiting for firm proof that the right's campaign promises will really become policy," said Salomon's Mr Mercier. "The new government will have to act quickly to reassure the market or Freoch bonds could become very jittery."

Alice Rawsthorn

UK GILTS

Pre-Budget nervousness is evident

THE gilts market is divided over the steps Mr Normao Lamont, the chancellor, should announce in his Budget speech tomorrow to tackle the rising public sector horrowing requirement.

As Mr Lamont ponders the gap between puhlic spending and borrowing, he is a hit like a man with a festering boil. He is undecided on whether to leave the deficit alone, or to administer surgery which could ultimately misfire.

The nervousness in the market before the Budget was evident last week. Trading was volatile as many investors took profits after the run of several weeks of falling yields at the long end of the market.

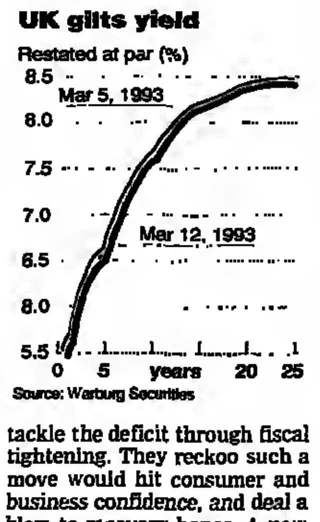
During the week, the short end of the market showed a small price rise, with yields for five-year bonds falling hy about 10 basis points to 6.4 per cent. The move was more the result of technical switching down the yield curve rather than any strong sentiment about an lmminent fall in hank base rates, now at 6 per cent.

Some gilt practitioners reckon that – even with the PSBR set to reach about £50hn in 1993-1994 after a likely £37hn or so this year – Mr Lamont should resist the temptation to tackle the deficit through fiscal tightening. They reckoo such a move would hit consumer and business confidence, and deal a hlow to recovery hopes. A new leg to the UK recession could mean the deficit would go up even more over the next few years, because of reductions in tax income and higher social security spending.

Another hody of opinion thinks drastic action to curh the deficit is necessary. According to this view, without a fiscal tightening the PSBR could soar to £60hn to £70bn hy the mid-1990s. That would depress gilt prices because of the large volumes of hood issues which would he necessary. This school of thought favours a large tax rise of some £5hn in the coming financial year, possihly accompanied hy a cut in interest rates to 5 per cent.

UK gilts yield

Restated at par (%)



Source: Warburg Securities

In between these two views is the position of Mr Gavyn Davies, chief UK economist at New York hank Goldmao Sachs. He would like Mr Lamont to announce a package of tax increases, hut delay their implementation until 1994-1995. This, he reckons, would reassure financial markets of the government's determination to reduce the PSBR, hut stop short of damaging short-term prospects for an upturn.

That argument fails to convince Mr Chris Dillow, UK economist at Nomura, the Japanese securities house. He thinks Mr Lamont should ignore the PSBR. "The Budget should be as boring as possihle," he says. "History has shown that bold hudgets often do more harm than good."

According to Mr Dillow's analysis, the PSBR will fall naturally as the economy recovers – something he thinks is on course. That view is supported by evidence such as last week's announcement hy the Confederation of British Industry that retail sales volumes in Fahruary showed strong year-on-year growth for the second month running.

Mr Dillow says any Increase in income tax or value added tax would increase inflation, either hecause of the push these measures would give to wage inflatioo or because of the direct impact on consumer prices. He thinks the negative effects for gilt yields of a tax rise would more than offset any immediate positive impact gained through reduced need for new bond issues.

Mr Robert Thomas, head of research at the capital markets division of National Westminster Bank, says aside from any decisions over taxation the gilt market would gain most satisfaction if Mr Lamont changed the funding rules to allow purchases of gilts hy bank and huilding societies to count towards financing the PSBR.

Ha thinks the government would earn high marks hy going back to hroad money targeting as a set of guidelines for economic management to replace the discarded nostrums of the European exchange rate mechanism.

Peter Marsh

US MONEY AND CREDIT

Producer price index rise triggers sharp reversal

AS ONE particularly sagacious technical analyst on Wall Street pointed out last week: "A tree does oot grow to the sky."

This literary flight of fancy was meant to eocapsulate the bond market's recent performance. In less elegant terms, what the analyst implied was that prices cannot go on rising for ever; what goes up, must come down. And the bond market last week came down, in no uncertain terms.

The benchmark 30-year government issue tumhled almost 1¼ points on Friday, pushing the yield up to 6.87 per cent at one stage. Over the week, the yield rose ahout 20 hasis points, "hringing to an end a string of eight consecutive weeks in which the long bond yield was lower oo a Friday-to-Friday hasis," ooted Smith Barney's credit market analyst Mr Doug Schindewolf.

Why the sudden turnround? The trigger for the dramatic sell-off was the February producer price index, which rose 0.4 per cent during the month – a higger increase than the market had expected. The rise in producer prices was hroad-hased; everything from cars to capital equipment, tobacco and hoosehold appliance prices rose significantly last month.

Moreover, the core rate of inflation – which excludes the volatile food and energy components – has risen at an annual rate of 4.2 per cent so far this year, not of itself desperately worrying but suggestive nonetheless of an upward trend that could become dangerous if unchecked. Additionally, the announcement of the PPI data came against a background of rising commodity prices, and not too soon after the oil producing countries of Opec agreed to cut production.

Comments on Friday afterooon from Mr Wayne Angell, the Federal Reserve governor, to the effect that rising prices reflected economic growth that was probahly stronger than realised, did not help sentiment either.

Despite all this, the PPI figures and Mr Angell's remarks would not normally have warranted such a dramatic reaction from bond investora were it not for the fact that the bond market had grown too complacent about the inflation threat. Consequently, the news on producer prices served to waken investors from their slumbers with an overdue and not unwelcome shock.

No ona, however, is ringing any alarm bells, at least just yet. While descrihing the PPI report as "one of the most disturhing we have seeo in mootha," Nikko Securities chief economist Mr Boh Brusca believes that the figures do not foreshadow a quickening In the pace of inflation. He says: "Money growth trends are still down, worldwide growth is weak and the US economy is again in more uncertain growth territory."

Whether the bond market over-reacted to the PPI figures or not, there is no doubting that this week's release of the consumer price index for February, scheduled for Wednesday, will he more closely watched than ever.

If the CPI figure is at or above January's unexpectedly strong 0.5 per cent increase, market sentiment is likely to take another turn for the worse. Analysts, however, are predicting a rise in February consnmer prices of between 0.3 par cent and 0.4 per cent.

Their confidence that there will not be a repeat of January's figure is based partly on the belief that that month's increase was fuelled hy a variety of temporary price pressures (such as a tobacco tax rise and the end to airline fare breaks), and partly on a faith in historical precedence.

A look back over the past decade shows that consumer prices have risen sharply in January, only to slow again in February. It is a phenomenon that no one seems to have a particularly strong explanation for, other than to hlame it on adverse weather conditions.

Patrick Harverson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABB INTL FIN 6 3/8 96	[illegible]	103¼	[illegible]	5.15

SKANDINAVISKA ENSK 7 3/8 97	500	102½	[illegible]	6.56
SNCF 7 1/4 94	175	102⅞	[illegible]	3.83
SNCF 9 1/2 98	150	116½	[illegible]	5.84
SPAIN 6 1/2 99	1500	101⅛	[illegible]	6.13
STATE BK NSW 8 1/2 96	200	108½	[illegible]	5.59
STATOIL 7 5/8 94	200	102⅝	[illegible]	4.54
SWEDEN 5 1/2 95	2000	101⅛	[illegible]	4.84
SWEDEN 9 1/4 98	350	114½	[illegible]	5.82
SWEDISH EXPORT 8 3/8 96	700	108⅜	[illegible]	5.17
THYSSEN FINANCE 7 1/2 99	200	104	-1¼	6.70
TOHOKU ELEC POWER 7 3/4 97	250	107	[illegible]	5.78
TOKAI ASIA 11 1/2 95	100	112	[illegible]	5.57

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	105	+½	5.55
COUNCIL EUROPE 4 3/4 98	250	100¼		4.69
EIB 6 3/4 04	300	111¼	+1¼	5.38
ELEC DE FRANCE 7 1/4 06	100	112		5.89
FINLAND 7 1/4 99	300	109⅜	+½	5.44
GENERAL MOTORS 7 1/2 95	100	103	-¼	5.92
HYUNDAI MOTOR FIN 8 1/2 97	100	107		6.63
ICELAND 7 5/8 00	100	110⅛	-¼	5.83
KOBE 6 3/8 01	240	107⅞	+½	5.24
NEW ZEALAND 4 7/8 99	200	99½	+½	4.97
ONTARIO 6 1/4 03	400	105¼		5.51

YEN STRAIGHTS · D-MARK STRAIGHTS · GUILDER STRAIGHTS · CANADIAN DOLLAR STRAIGHTS · ECU STRAIGHTS · AUSTRALIAN DOLLAR STRAIGHTS · STERLING STRAIGHTS · NEW ZEALAND DOLLAR STRAIGHTS · FRENCH FRANC STRAIGHTS · FLOATING RATE NOTES · CONVERTIBLE BONDS · LUXEMBOURG FRANC STRAIGHTS · EQUITY WARRANTS [table entries illegible]

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price. WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on March 12

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

Dresdner Bank goes to the top of the D-Mark table

WITH the first quarter coming to a close, the volume of new D-Mark Eurobond issues so far this year puts Dresdner Bank ahead of Deutsche Bank in the D-Mark underwriting league table.

Excluding in-house deals, Dresdner has launched DM11.55bn worth of D-Mark issues since the start of 1993, compared with DM10.90bn for Deutsche, according to the new international bond issues tables published daily by the Financial Times.

The figures also show that the two banks have consolidated their dominant position in the D-Mark sector – Commerzbank comes a poor third with DM1.7bn, excluding an in-house deal – and that the profile of foreign banks remains low.

Observers believe that Dresdner's emergence at the top of the table, as well as its recent success in winning mandates such as the DM2.9bn Eurobond issue for the European Community, reflects a sweeping reorganisation of the bank's new issues department.

The man wielding the broom is Mr Hansgeorg Hofmann, who joined Dresdner at the end of 1989 from Shearson Lehman. Insiders say that Mr Hofmann has galvanised his team into embracing a more international approach to the syndication and trading of new issues.

For example, it was Dresdner which introduced the fixed price re-offer concept to the D-Mark sector when it arranged a DM2.5bn issue for Sweden last October.

This mechanism, which had been adopted several years earlier in the other sectors of the international bond market, makes the pricing of issues more transparent for the investor. It has also made the new issues business more profitable for the banks involved in underwriting the deals.

Before the introduction of the fixed price re-offer, the D-Mark sector was still geared to Europe's army of retail investors. But since then, the market has opened up more to international and institutional investors.

Dresdner's fresh approach to the new issues business has coincided with a marked increase in demand for D-Marks over the last year. The collapse of the Ecu market, following Denmark's rejection of the Maastricht Treaty, heightened the currency's "safe haven" attraction for investors.

At the same time, the D-Mark sector was one of only a few areas of the Eurobond market which offered sufficient liquidity to sovereign borrowers seeking to replenish their currency reserves after the turmoil in the exchange rate mechanism.

Not surprisingly, sovereign and supranational borrowers have dominated the D-Mark sector so far this year. Most of the deals slated to appear in the first quarter have been launched, though one further issue of up to DM2bn could emerge by the end of the month.

Borrowers are being discouraged by the widening of yield spreads on D-Mark sovereign paper over German government bonds, following the downgradings of the foreign-currency debt of Italy and Finland.

For example, the yield spread on Italy's 7¼ per cent Eurobonds due 1998 has widened to 65 basis points over bunds compared with a spread of 47 basis points at the launch in January. The spread on Finland's 7⅝ per cent seven-year Eurobonds has increased to 80 basis points from 53 basis points.

Antonia Sharpe

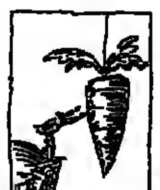
NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Czech National Bank	300	Apr.1996	3	7	99.83	Nomura International	7.065
Dowa Mining Co.(a)♦	120	Mar.1997	4	2	100	Nikko Europe	-
Veba Intl.Fin.Amsterdam(c)♦	300	Apr.2000	7	8	116.5	Deutsche Bk.London	-
Republic of Venezuela‡	130	Mar.1996	3	9.125	100	Bco.Santander Nego.	9.125
Ldb Baden Würt'burg(d)‡	100	Apr.2000	7	(d)	99.875	Lehman Brothers Intl.	-
Edison Mall Finance(e)♦	41	Mar.1998	5	(e)	100	JP Morgan Securities	-
Toyo Engineering Corp.(k)♦	200	Mar.1997	4	1.875	100	Yamaichi Intl.(Europe)	-
Ciba-Geigy Corp.	100	Mar.2000	7	5.875	101.385	UBS P&D Securities	5.630
Bayer.Vereinsbank(d)‡	100	Apr.2000	7	(d)	99.875	Merrill Lynch Intl.	-
Ryobi(k)♦	100	Mar.1998	5	2.75	100	Nomura International	-
Sanzo Finance (Cayman)(f)♦	69.5	Mar.1997	4	1.875	100	Nomura International	-
LKS Baden Würt'berg Fin.	500	Mar.1998	5	5.375	101.275	CSFB	5.080
JP Morgan & Co.(s)‡	200	Apr.2005	12	(s)	100	Kidder, Peabody Intl.	-
JP Morgan & Co.(s)‡	100	Apr.2005	12	(s)	100.15	Kidder, Peabody Intl.	-
Creditanstalt-Bankverein(t)‡	200	Apr.2005	12	(t)	100	Creditanstalt	-
Z-Landerbank Bk.Austria(t)‡	150	Apr.2003	10	(t)	100	Kidder, Peabody Intl.	-
Banco Real‡	100	Sep.1995	2.5	10	99.30	ABN Amro Bank	10.325
Banco Nacional‡	100	Sep.1995	2.5	10	99.138	Citibank International	10.400
Euro.Coal & Steel Commun.	100	Mar.2008	15	6.375	99.806	Salomon Brothers Intl.	6.417
Toyota Mtr.Crdt.Corp.(u)‡	100	Oct.2000	7.5	(u)	99.875	Lehman Brothers Intl.	-
Eagle 6(v)‡	77.58	Mar.1998	5	(v)	100	Daiwa Europe	-
Crédit Local de France(z)‡	100	Apr.2005	12	(z)	100	Kidder Peabody Intl.	-
Dresdner Bank(a1)‡	100	Apr.2003	10	(a1)	100	Lehman/ Dresdner	-
Council of Europe(b1)‡	100	Apr.2003	10	(b1)	99.95	Morgan Stanley Intl.	-
Czech National Bank(c1)	75	Apr.1996	3	7	99.83	Nomura International	7.134
Abbey National(Neth.)(g1)‡	100	Apr.2003	10	(g1)	100	Salomon Brothers Intl.	-
YEN							
Asahi Chemical Industry	20bn	Jul.2000	7.26	4.75	101.55	Nomura International	4.482
Bk.of Tokyo Cay.Fin.(w)‡	50bn	(w)	(w)	(w)	100	Morgan Stanley Intl.	-
Toyo Ink Manufacturing Co.	15bn	Jun.2000	7.26	5.05	101.425	Nomura International	4.809
Daiwa PB(d1)‡	20bn	(d1)	(d1)	(d1)	100	Daiwa Bank/ Nomura	-
Mitsubishi W'house. Trnspt.	10bn	Jul.1998	5.27	4.5	101.6	Nikko Europe	4.152
D-MARKS							
Dresdner Intl.Fin.Dublin(f)‡	150	Mar.2003	10	(f)	102.175	Dresdner Bank	-
Nordic Investment Bank(g)‡	150	Mar.2003	10	(g)	101.15	IBJ (Deutschland)	-
Deutsche Finance (Neth.)	1bn	Apr.1997	4	6.25	101.6	Deutsche Bank	5.791
European Investment Bank	1.5bn	Apr.2000	7	6.25	101.75	WestLB	5.937
Republic of Austria(m)‡	400	Apr.2005	12	(m)	100	Trinkaus & Burkhardt	-
Rabobank Nederland(n)‡	100	Apr.2003	10	(n)	100	Salomon Brothers	-
Dresdner Intl.Fin.(t,o)‡	50	Mar.2003	10	(t)	102.675	Dresdner Bank	-
State of Hesse	200	Apr.2023	30	6.75	101	Morgan Stanley	6.672
LB Schleswig-Holstein(x)‡	100	Mar.2003	10	(x)	102.125	Morgan Stanley	-
World Bank(e1)‡	200	Apr.2003	10	(e1)	100	Commerzbank	-
BMW Finance(h1)‡	250	Apr.2003	10	(h1)	102.8	Dresdner Bank	-
FRENCH FRANCS							
Kingdom of Sweden	4bn	Apr.2003	10	zero	49.65	Paribas Cap.Markets	7.253
Crédit Local de France(h)	1bn	Apr.2003	10	4	100.38	SBS France	-
Crédit Local de France	1.5bn	Apr.2003	10	zero	48.95	BNP Capital Markets	7.405
Lafarge Coppée	1bn	Apr.2000	7	8	101.005	CCF	7.808
KfW International Finance	1bn	Jul.2003	10.25	zero	48.15	Crédit Lyonnais	7.391
ECU							
GECC	1.5bn	Apr.1995	2	7.5	99.78	Crédit Lyonnais	7.623
STERLING							
Halifax Building Society(i)	150	Apr.2000	7	7.875	101.68	CSFB	-
Carlsberg Finance	100	Mar.1998	5	7.25	101.25	JP Morgan Securities	6.946
Bayerische Landesbank(p)	50	Feb.2003	9.87	8.5	105.05	SG Warburg Securities	-
Abbey Nat.Treas.Services	850	Apr.2003	10	8	98.96	G.Sachs/ SG Warburg	8.156
Alliance & Leicester BS(l)	75	Apr.2008	15	9.75	101.177	Baring Brothers & Co.	9.599
CANADIAN DOLLARS							
World Bank	250	Apr.1998	5	8.75	100.025	Wood Gundy	8.744
Banque Nationale de Paris	150	Apr.2003	10	7.75	99.215	BZW	7.866
CCJO(y)	100	Oct.1998	5.5	7.625	100.2	Hambros Bank	7.563
ITALIAN LIRA							
World Bank	200bn	Apr.2003	10	10.75	101.625	BCI	10.480
GUILDERS							
Bk.for Dutch Municipalities	500	Apr.2001	8	6.625	100.72	Rabobank Nederland	6.507
Dresdner Bank	300	Apr.2003	10	6.75	101.05	Rabobank Nederland	6.603
KNP BT Anpilliana	300	Apr.2000	7	7	100.7	ABN Amro Bank	6.871
PESETAS							
Japan Development Bank(j)	10bn	Mar.1998	5	11.2	101.36	BBV/ BoT (Madrid)	10.834
Nacional Financiera(l)	10bn	Apr.1998	5	13.6	101.225	Bco.Central Hispano	13.250
SWISS FRANCS							
Catena Corp.(b)♦‡	40	Mar.1997	4.04	3.625	100	Nomura Bank (Switz.)	-
Petroleos Mexicanos	150	Mar.1998	5	6	101.5	Credit Suisse	5.647
Seikitokyu Kogyo Co.(q)♦	110	Mar.1997	4	1	100	Swiss Volksbank	-
Nihon Kohden Corp.(r)♦	70	Mar.1997	4	1	100	Yamaichi Bank (Switz.)	-
Steierische Wasserkraft	100	Apr.2003	10	4.75	102	UBS	4.497

Final terms and non-callable unless stated. [illegible]

RISK AND REWARD

Wave of FRNs helps to meet surprise demand in US



THE STRONG run in the US Treasury market has brought long-bond yields down to new lows. With deposit rates languishing at around 3 per cent, investors are keener than ever to find a way to enhance their returns. And they have become increasingly willing to take positions to express their views on the market.

The latest trend is for plays on the shape of the yield curve, or on bond yields, as well as on short-term rates.

While short-term interest rates in European markets are still expected to fall, US short-term rates are widely believed to have reached their lows. But when they will start to rise, how the shape of the yield curve will change and which way bond yields will move are questions which investors are addressing.

The result has been a wave of structured products to meet a demand the depth of which has surprised bankers. In the US market, the US agencies have issued a spate of CMT floating-rate notes, a structure which pegs the coupon rate to 10-year Treasury yields (the reference yield is the constant-maturity treasury or CMT).

The concept has now been brought to the Eurobond market by Lehman Brothers, whose brand name for the instrument is the SURF – step-up recovery floater.

The coupon of these seven-year instruments is reset every six months to equal half of the CMT rate plus a predetermined margin. In addition, the notes offer a minimum interest rate of interest of, say, 5 per cent.

With 10-year Treasury yields around 6 per cent, an investor would theoretically receive 4¼ per cent, so the minimum coupon of 5 per cent appears attractive. This is below current seven-year yields – the seven-year US Treasury yield is quoted at about 5.6 per cent – because the interest rate is reset every six months, but the investor has some upside potential from an increase in 10-year yields, whereas a fixed-rate bond holder loses capital if yields rise.

The structure represents a play on the yield curve. The investor is taking the view that the US yield curve will remain steep over a period of time – or that if it flattens, rates will be low across the curve – and expects the downside protection of 5 per cent to be sufficient compensation if this view proves incorrect. Many market professionals are taking the opposite view. Dealers report a high level of activity concentrated on plays on a flattening of the US yield curve.

"Basically, a lot of people are buying the long end and shorting the front end of the US Treasury market," said one trader.

The CMT floater structure is economically viable because the derivative products used to create it are relatively cheaply available in the OTC market. This reflects an assumption among many traders that the yield curve will flatten. The spread between two-year and 30-year Treasuries has already declined from around 370 basis points in the autumn to below 300 basis points.

The theory is that economic recovery is on the way in the US, so short-term interest rates will start to rise slowly; but the relative lack of inflationary pressure and hopes that President Clinton will be able to reduce the budget deficit will prevent yields from rising substantially at the long end of the market.

Last week also saw a revival of activity in the market for collared floating rate notes – floating rate notes with minimum and maximum coupon levels. The buyers of these notes have been largely continental European investors, keen to lock in coupons of about 5 per cent, at a time when current money market rates are more than 1½ points lower. Since the market opened in July, there has been more than $11bn of collared floaters in the dollar market, as retail demand has vastly exceeded expectations.

In order to structure these transactions, the issuer sells a cap and buys a floor, using the money raised by selling the cap to pay for the floor. When the Treasury market falls, the value of the cap increases, making the process more attractive to the issuer.

The flaw is that as soon as money market rates rise above 5 per cent, much of the value of the paper will be instantly eroded, and investors may face large capital losses.

Tracy Corrigan

WORLD STOCK MARKETS

CANADA

TORONTO

4 pm close March 12

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
200	Celanese	$45	45	45	
2500	CntlCpltal	50	40	40	-11
33100	Cinepx Odn	175	170	172	
2900	Cntrl Fd A	480	450	480	+10
33500	Cominco	$17	$10\frac{3}{4}$	17	
29000	Coputalog	92	90	90	-3
138700	Coral Sys	$17\frac{7}{8}$	$17\frac{5}{8}$	$17\frac{3}{4}$	$-\frac{1}{8}$
3800	CoscanDev	185	189	185	
129100	CrownX A	305	290	300	+5
200	Lafarge	$21\frac{1}{2}$	$21\frac{1}{2}$	$21\frac{1}{2}$	
2300	Laidlaw A	$11\frac{1}{8}$	$10\frac{7}{8}$	$11\frac{1}{8}$	$+\frac{1}{8}$
256300	Laidlaw B	$11\frac{1}{4}$	$10\frac{3}{4}$	$11\frac{1}{8}$	$+\frac{1}{4}$
400	Laurent Bk	$18\frac{3}{4}$	$10\frac{3}{4}$	$18\frac{3}{4}$	
1000	Laurent Gp x	495	495	495	$-17\frac{1}{2}$
21000	Lawson Mar	$9	$8\frac{7}{8}$	$9\frac{7}{8}$	
67000	Loblaw	$21\frac{7}{8}$	$21\frac{3}{4}$	$21\frac{3}{4}$	$+\frac{1}{8}$
83300	Mackenzie	$6	$5\frac{7}{8}$	6	
273900	RyITrustco	187	175	175	
20900	StLawrCm A	$8\frac{3}{4}$	$8\frac{5}{8}$	$8\frac{3}{4}$	$+\frac{1}{8}$
108200	Sceptrefin	$8\frac{5}{8}$	$8\frac{3}{8}$	$8\frac{1}{2}$	
1900	ScottPaper	$13\frac{5}{8}$	$13\frac{1}{2}$	$13\frac{1}{2}$	
61700	Scotts Hos	$9\frac{1}{2}$	$9\frac{3}{8}$	$9\frac{1}{2}$	
155100	Seagram Co	$34\frac{1}{4}$	$33\frac{3}{4}$	$34\frac{1}{8}$	$-\frac{1}{8}$
488300	Sears Can	$7\frac{1}{2}$	$7\frac{1}{4}$	$7\frac{1}{2}$	$+\frac{1}{8}$
7700	ShellCan A	$39	$37\frac{1}{2}$	39	$+1\frac{1}{4}$

MONTREAL

4 pm close March 12

Sales	Stock	High	Low	Close	Chng
195200	NatBk Can	$8\frac{7}{8}$	$8\frac{5}{8}$	$8\frac{3}{4}$	$+\frac{1}{8}$
500	Quebecor A	$17\frac{1}{4}$	$17\frac{1}{4}$	$17\frac{1}{4}$	
28700	Teleglobe	u$15\frac{3}{4}$	$15\frac{1}{2}$	$15\frac{5}{8}$	$-\frac{1}{8}$
324900	Unfsa	$7\frac{7}{8}$	7	$7\frac{7}{8}$	$-1\frac{1}{2}$
20300	Videotron	u$19\frac{1}{8}$	19	$19\frac{1}{4}$	$+\frac{1}{8}$

Total Sales 20,031,200 shares

INDICES

NEW YORK

DOW JONES	Mar 12	Mar 11	Mar 10	Mar 9	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3427.82	3457.80	3478.34	3472.12	3478.34 (10/3/93)	3136.58 (9/10/92)	3478.34 (10/3/93)	41.22 (2/7/32)
Home Bonds	(u)	105.50	108.39	106.15	106.50 (11/3/93)	98.41 (20/3/92)	106.50 (11/3/93)	54.99 (1/10/81)
Transport	1538.85	1564.96	1592.02	1571.89	1589.61 (8/2/93)	1204.40 (26/8/92)	1589.61 (8/2/93)	12.32 (8/7/32)
Utilities	237.54	240.74	241.99	240.80	241.99 (10/3/93)	200.74 (8/4/92)	241.99 (10/3/93)	10.50 (8/4/32)

DJ Ind. Day's High 3447.81 (3493.74) Low 3386.40 (3437.27) (Theoretical◆)
Day's High 3457.00 (3479.69) Low 3403.77 (3450.51) (Actual◆)

STANDARD AND POOR'S

	Mar 12	Mar 11	Mar 10	Mar 9	1992/93 HIGH	1992/93 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	449.83	453.72	456.33	454.40	456.33 (10/3/93)	394.50 (8/4/92)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	517.85	521.77$	524.99	522.78	524.99 (10/3/93)	470.91 (8/4/92)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	44.95	45.35	45.43	44.94	45.43 (10/3/93)	32.40 (8/4/92)	45.43 (10/3/93)	8.64 (1/10/74)
NYSE Composite	249.10	250.20	251.36	250.21	251.36 (10/3/93)	217.92 (8/4/92)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	421.09	422.31	421.88	419.02	422.31 (11/3/93)	364.85 (9/10/92)	422.31 (11/3/93)	29.31 (9/12/72)
NASDAQ Composite	692.78	694.28	692.87	688.96	708.85 (4/2/93)	541.84 (26/6/92)	708.85 (4/2/93)	54.87 (31/10/72)

	Mar 5	Feb 26	Feb 19	year ago (approx.)
Dow Industrial Div. Yield	2.89	3.02	3.07	2.84
	Mar 10	**Mar 3**	**Feb 24**	**year ago (approx.)**
S & P Industrial div. yield	2.44	2.48	2.53	2.61
S & P Indl. P/E ratio	26.82	26.18	26.09	26.01

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Amer Barrick	5,945,900	$16\frac{1}{8}$	$-\frac{7}{8}$
Wal-Mart	3,209,100	$33\frac{1}{4}$	$+\frac{1}{8}$
Amer Express	2,889,500	$27\frac{7}{8}$	$+\frac{1}{2}$
Philip Morris	2,502,900	$65\frac{1}{8}$	$-\frac{1}{2}$
IBM	2,436,900	$55\frac{5}{8}$	$+\frac{1}{4}$
Gen Motors	2,386,400	$38\frac{7}{8}$	$-\frac{1}{8}$
Nat Semi	2,311,700	$13\frac{1}{4}$	$+\frac{1}{4}$
Glaxo	2,262,300	$19\frac{1}{8}$	$+\frac{1}{8}$
Albertson	2,251,500	52	$-1\frac{5}{8}$
Horsham	2,230,000	$10\frac{3}{8}$	$-\frac{1}{2}$

TRADING ACTIVITY

† Volume (Millions)	Mar 12	Mar 11	Mar 10
New York SE	244.740	252.510	258.150
Amex	13.184	17.587	18.462
NASDAQ	(c)	205.080	199.750
NYSE			
Issues Traded	2,480	2,500	2,485
Rises	550	924	1,045
Falls	1,380	956	832
Unchanged	550	620	618
New Highs	80	104	170
New Lows	17	11	7

CANADA

TORONTO	Mar 12	Mar 11	Mar 10	Mar 9	1992/93 HIGH	1992/93 LOW
Metals & Minerals	2902.97	2908.14	2931.29	2931.29	3238.87 (16/1/92)	2529.91 (17/11/92)
Composite	3548.06	3552.42	3551.99	3551.99	3666.90 (16/1/92)	3195.40 (14/10/92)
MONTREAL Portfolio	1828.10	1833.56	1830.45	1830.45	1907.88 (16/1/92)	1683.16 (14/10/92)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). $ Amended figure.

	Mar 12	Mar 11	Mar 10	Mar 9	1992/93 HIGH	1992/93 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1661.5	1661.1	1647.5	1633.7†	1684.50 (22/5/92)	1357.20 (18/11/92)
All Mining (1/1/80)	646.7	646.9	640.1	638.0	720.80 (3/7/92)	545.40 (16/11/92)
AUSTRIA						
Credit Aktien (30/12/84)	348.42	354.95	350.32	357.78	458.57 (24/2/92)	281.41 (13/8/92)
Traded Index (2/1/91)	838.23	838.73	846.70	853.97	1098.43 (24/2/92)	682.96 (13/8/92)
BELGIUM						
BEL20 (1/1/91)	1240.0	1245.98	1249.29	1238.12	1249.29 (10/3/93)	1048.07 (2/9/92)
DENMARK						
Copenhagen SE (3/1/83)	280.31	281.22	283.46	283.71	363.29 (15/1/92)	250.42 (28/10/92)
FINLAND						
HEX General (28/12/90)	991.3	1008.2	998.1	992.1	1008.20 (11/3/93)	541.00 (7/9/92)
FRANCE						
CAC General (31/12/81)	528.51	530.89	533.22	533.30	565.83 (12/5/92)	441.70 (7/10/92)
CAC 40 (31/12/87)	1985.18	1998.94	1992.42	2008.89	2077.49 (11/5/92)	1611.04 (5/10/92)
GERMANY						
FAZ Aktien (31/12/58)	675.25	675.22	675.70	673.93	725.26 (26/5/92)	565.81 (12/10/92)
Commerzbank (1/12/53)	1901.80	1904.00	1906.10	1899.30	2043.80 (25/5/92)	1594.80 (12/10/92)
DAX (30/12/87)	1707.14	1717.40	1709.66	1713.13	1811.57 (25/5/92)	1420.30 (6/10/92)
HONG KONG						
Hang Seng Bank (31/7/64)	6170.4	6071.84	6488.48	6606.0	6508.00 (9/3/93)	4301.78 (2/1/92)
IRELAND						
ISEQ Overall (4/1/88)	1398.73	1411.60	1405.98	1397.43	1489.57 (17/1/92)	1094.88 (19/10/92)
ITALY						
Banca Com. Ital. (1972)	514.24	520.71†	518.65	511.02	551.38 (8/2/92)	354.93 (15/9/92)
MIB General (4/1/93)	1138.6	1150.0	1141.0	1128.0	1150.00 (3/3/93)	992.00 (11/1/93)
JAPAN						
Nikkei (16/5/49)	18037.52	17904.79	17858.63	17848.30	23801.10 (6/1/92)	14309.41 (18/8/92)
Tokyo SE (Topix) (4/1/68)	1380.94	1344.34	1341.88	1338.77	1783.43 (6/1/92)	1102.50 (18/8/92)
2nd Section (4/1/68)	1698.18	1698.30	1697.64	1693.71	2489.86 (6/1/92)	1502.77 (19/8/92)
MALAYSIA						
KLSE Composite (4/4/86)	638.66	637.25	637.37	631.78	680.35 (6/11/92)	546.63 (14/1/92)
NETHERLANDS						
CBS TtlRtn.Gen.(End 1983)	323.1	327.4	327.4	323.6	327.40 (10/3/93)	274.00 (6/1/92)
CBS All Shr (End 1983)	217.4	220.3	220.3	218.1	220.30 (10/3/93)	188.70 (25/8/92)
NORWAY						
Oslo SE (Ind) (2/1/83)	768.01	770.10	766.28	759.58	772.74 (18/5/92)	532.43 (25/8/92)
PHILIPPINES						
Manila Comp (2/1/85)	1494.66	1503.73	1529.82	1529.50	1580.95 (11/6/92)	1083.01 (17/3/92)
SINGAPORE						
SES All-Singapore (2/4/75)	417.82	420.26	420.55	418.62	421.27 (24/2/93)	351.41 (21/10/92)
SOUTH AFRICA						
JSE Gold (28/9/78)	1008.0♥	1028.0	1002.0	1013.0	1327.00 (21/1/92)	746.00 (10/11/92)
JSE Industrial (28/9/78)	4471.0♥	4473.0	4464.0	4448.0	4688.00 (4/5/92)	3936.00 (19/10/92)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	628.15	615.26	(c)	628.23	709.77 (9/1/93)	459.07 (21/8/92)
SPAIN						
Madrid SE (30/12/85)	237.41	240.45	240.36	241.14	286.31 (28/2/92)	179.48 (5/10/92)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1012.50	1026.0	1028.50	1030.70	1030.00 (9/3/93)	630.00 (5/10/92)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	948.7	954.0	948.2	942.8	954.00 (11/3/93)	748.50 (6/1/92)
SBC General (1/4/87)	724.7	733.9	731.3	728.4	733.80 (11/3/93)	596.40 (26/8/92)
TAIWAN**						
Weighted Price (30/6/66)	4574.53	4619.38	4474.40	4474.47	6301.63 (30/1/92)	3098.43 (6/1/93)
THAILAND						
Bangkok SET (30/4/75)	918.28	936.79	900.07	883.71	986.44 (25/1/93)	667.84 (19/5/92)
WORLD						
M.S. Capital Intl.(1/1/70) $	520.2*	523.0	524.5	524.1	542.10 (7/1/92)	467.50 (8/4/92)
Euro Top-100 (26/6/90)	949.97	951.35	952.32	956.21	975.35 (29/5/92)	772.52 (5/10/92)

**Saturday March 6: Taiwan Weighted Price: 4,721.86, Korea Comp Ex. 605.93
♥ Subject to official recalculation. ‡ Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 20 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Friday, March 12, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
NEC Corp	15.0m	779	+16	Tokyu Corp	6.9m	675	+15
Fujitsu	11.9m	815	-8	Iwatsu Elec	6.4m	495	+18
Keisei Elec	8.3m	946	+47	Tokyu Land	6.0m	515	+12
Nippon Steel	7.8m	317		Toshiba	5.6m	616	-1
Nippon Express	7.6m	810	+29	Furukawa Elec	5.3m	487	+16

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Citylina, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

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Sharp (Albert E.) & Co (1000)F

Sheppards Unit Trust Mngmt Ltd (1200)F

Singer & Friedlander UT Mgmt Ltd (1000)F

Smith & Williamson Unit Tst Mgrs Ltd (1600)F

Societe Generale Touche Remnant (1200)F

Sovereign Unit Tst Mngrs Ltd

Standard Life Tst Mgmt Ltd (0730)H

State Street Unit Trust Mngmt Ltd (1200)F

Stewart Ivory Unit Tst Mgrs Ltd (1200)H

Sun Alliance Unit Tst Mngmt Ltd (1200)F

Sun Life of Canada Unit Mgrs Ltd (1000)H

Sun Life Trust Mngmt Ltd (1200)H

Swiss Life Unit Tst Man Co Ltd (1200)F

TSB Unit Trusts (1200)F

T.U. Fund Managers Limited (1200)H

Target Trust Mngrs Ltd (1200)F

Templeton Unit Trust Managers Ltd (1200)F

Thornton Unit Managers Ltd (1200)F

UNI Storebrand Inv Mngrs Ltd (1200)F

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1600)F

Whittingdale Unit Tst Mgmt Ltd (0830)F

Woolwich Unit Trust Managers Ltd (1700)H

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

Charinco/Charishare (1000)F

CAFINVEST-Charities Aid Foundation

COIF-Charities Official Inv Fd

Charity Fixed Int Fd/Charity Equity Fd

Fledgeling Charity Portfolio

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Unit Management Ltd

Funds in Court

Covett (John) Unit Mngmt Ltd

Hendersons Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Merlin Jupiter Unit Trust Managers Ltd

Morgan Grenfell Investment Funds Ltd

Morgan Stanley International

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd.

Societe Generale Touche Remnant UT Mgrs

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

AXA Equity & Law Life Assce

Abbey Life Assurance Co Ltd

Abbey National Life Plc

Acuma Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

Canada Life Group

Cannon Assurance Ltd (z)

Century Life Plc

Citibank Life

City of Westminster Assurance (z)

Clerical Medical/Fidelity Investments

Clerical Medical Investment Group

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident

General Portfolio Life Insce Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration (z)

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Legal & General – Contd.

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Life

London & Manchester Assurance (z)

M & G Life and M & G Pensions

MGM Assurance (z)

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

National Westminster Life Assce Ltd

Norwich Union Life Insurance Soc.

Norwich Union Pensions Management Ltd

Pearl Assurance (Unit Funds) Ltd

Premium Life Assurance Co Ltd

Professional Life Assurance Co Ltd

Continued on next page

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Adventurous Magd	170.9	181.9	-	46402
Balanced Grth Magd	693.0	737.3	-	43315
Cautious Magd	131.6	140.1	-	46403
Cash 7d	310.8	336.0	-	43316
Property Fund	217.1	231.0	-	45517
Gilt Fund 20	434.1	483.1	-	43329
Equity Fund	802.0	853.2	-	43318
Fxd Int. Fund	425.7	448.6	-	43319
International	357.6	380.5	-	43320
High Income	621.4	661.1	-	43321
Technology	476.2	506.7	-	43325
North American	494.1	525.7	-	43323
Far East	475.1	503.4	-	43322
Special Sits	563.5	599.5	-	45324
Extra Inc Fd	333.0	354.3	-	43326
American Income	147.2	209.8	-	43328
Convertible & Gilt 7d	162.8	173.2	-	43327
European Fund	128.8	137.1	-	43330
Pref & Fixed Int	116.2	123.7	-	46332
UK Blue Chip	120.4	126.9	-	47044
Recovery Fund	120.9	127.4	-	47056
Equity Income Dist	111.9	119.1	5.00	47810
Managed Dist	105.9	112.7	3.77	47817
High Yield Dist	106.1	111.9	7.00	44422
Pension Funds				
Adventurous Magd Pens Acc	182.4	192.1	-	46404
Balanced Gth Magd Pens Acc	810.5	[illegible]	-	43331
Cautious Magd Pens Acc	153.0	[illegible]	-	46405
Building Soc. Acc	368.3	387.7	-	43332
Property Pens Acc	296.4	312.0	-	43333
Fix. Int. Pens. Acc	677.9	713.6	-	43334
Equity Pens. Acc	1054.8	1110.4	-	43335
International Pens Acc	317.0	354.8	-	43336
High Inc Pens Acc	704.0	741.1	-	43337
Tech Pens Acc	338.6	356.5	-	45138
N American Pens Acc	383.5	403.7	-	43339
Far Eastern Pens Acc	484.5	510.0	-	43340
Special Sits Pens Acc	467.2	491.0	-	43341
Extra Income Pens Fd	411.1	432.8	-	43342
American Inc Pens	230.6	242.8	-	45344
Convertible & Gilt Pen	198.4	209.4	-	43343
European Pens	144.7	152.4	-	43345
Managed Cash Pens	173.4	182.6	-	40755
Pref & Fixed Pens	135.4	142.6	-	46373

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	Yield Gross	City-line
Deposit Acc Fd	169.5	178.4	-	43575
Equity Acc Fd	415.8	437.7	-	43576
Managed Acc 7d	368.6	388.1	-	43577
Prop Fd (1st issue)	-	667.2	-	43578
Prop Acc 7d (2nd Iss)	126.6	155.2	-	43579
Unit Trust Man Fd	182.7	192.3	-	43580
RL Pension Funds				
Deposit Acc	246.9	259.9	-	43581
Equity Acc	514.1	510.6	-	43582
Fixed Int Acc	255.0	269.2	-	43583
Gilt Indx Lnk Acc	192.0	202.9	-	43584
Managed Acc	416.2	438.1	-	43585

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone 0285 640302 Helpline 041 307 6500

	Bid Price	Offer Price	Yield Gross	City-line
Life Funds				
Income Distribution	98.0	101.2	-	-
JRA/M&G Managed	122.0	128.5	-	46639
JRA/Scroder Amicable Mngd	117.2	123.4	-	46996
JRA/St James's Place Mngd	124.8	131.4	-	47133
Deposit	100.6	105.9	-	46281
Far East	130.0	136.9	-	46304
Gilts	110.3	116.2	-	46397
Greater European	110.8	125.1	-	46486
North American	142.5	150.0	-	46859
UK Equity	122.1	128.6	-	47134
Pension Funds				
JRA/M&G Managed cap	121.1	127.5	-	46800
JRA/M&G Managed acc	125.8	132.5	-	46714
Deposit cap	100.4	105.7	-	46285
Deposit acc	104.4	109.9	-	46284
Greater European cap	121.7	128.2	-	46578
Greater European acc	126.6	133.3	-	46489
North American cap	140.7	148.2	-	46457
North American acc	146.3	154.0	-	46860
UK Equity cap	123.3	129.8	-	47136
UK Equity acc	128.1	134.9	-	47125

Scottish Mutual Assurance plc – Contd.

Scottish Provident Institution

6 St Andrews Sq, Edinburgh

Scottish Widows' Group

Scandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Westwind Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

OFFSHORE INSURANCES

AXA Equity & Law Intl Life Assce Co

Albany International Assurance Ltd

CMI Insurance Co Ltd

Century Life International Ltd

Eagle Star Intl Life

Equitable Life (International)

Eurolife Assurance Group

Finsura International Ltd

Friends Provident International Ltd

Hansard International Ltd

Isle of Man Assurance Ltd

PanEuroLife

Providence Capital International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Target International Group

MANAGEMENT SERVICES

Capital Trust Financial Management

Chase de Vere PLC

ECU Terminvest PLC

Fairmount Financial Services Ltd

Foster & Braithwaite Ltd

Hambros Fd Mgrs – Contd.

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
EQUUS Australia	5	$3.415	3.415	3.644	-	45185
EQUUS Japan	5	$3.954	3.954	4.204	-	45187
EQUUS Japan Ent	5	$3.396	3.396	3.614	-	45188
EQUUS SE Asia	5	$8.156	8.156	8.723	-	45186
Sapp ASEAN Japan Gwth	5	$13.12	15.13	14.03	-	43299

Kleinwort Benson Intl Fd Mngrs Ltd

PO Box 44, Guernsey, CI 0481 727111

Lazard Fund Mngrs (Channel Islands) Ltd

Lion World Fixed Income Fund

M & G (Guernsey) Ltd

Rothschild Asset Management (CI) Ltd

Royal Bank of Canada Offshore Fd Mgrs Ltd

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Lloyd George Management

Newport Investment Management

Orion Fund Limited

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GAM Fund Management Ltd – Contd.

	Bid Price	Offer Price	Yield Gross	City-line
GAM Tokyo Inc	DM-	116.14	-	-
GAM Tokyo Acc	DM-	116.14	-	-
GAM Universal US Dlr Acc	$-	117.34	-	40337
GAM Universal US Dlr Inc	$-	110.14	-	40340
GAM Universal DM Acc	DM-	135.63	-	40341
GAM Universal DM Inc	DM-	127.71	-	40342

GT Asset Management (Ireland) Ltd

(44) 71 220 4567 London (852) 842 7200 Hong Kong

Morgan Grenfell Investment Funds Ltd

Prolific International Fund Plc

Swiss Life Investment Fund (Lu)

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

Barings International Fd Mngrs (Ireland) Ltd

Baring Mutual Fund Mngmt (Ireland) Ltd

Chemical Fund Administrators Ltd

GT Asset Management (Ireland) Ltd

Genesis Portfolio Managers Limited

Hambros Fund Managers (Ireland) Ltd

Morgan Grenfell Fund Managers (Ireland) Ltd

Paine Webber Offshore Funds Plc

J. Rothschild International Assce plc

Sanwa International (Ireland) Plc

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Hambros Fund Managers (CI) Ltd

Henderson Admin. (Guernsey)

Lazard Fund Mgrs (CI) Ltd

Merrill Lynch Guernsey

Rothschild Asset Mngmt (CI) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mgrs

Allied Dunbar Intl Fund Mgrs Ltd

Asset Global Funds Ltd

CMI Fund Managers (IoM) Ltd

Gartmore Fund Managers (IoM)

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management (IoM) Ltd

Appleton Financial Advisors Ltd

City Financial Admin (IoM) Ltd

Gartmore Fund Managers (IoM) Ltd

John Govett Management (IoM) Ltd

IBI Global Funds Limited

IRELAND (SIB RECOGNISED)

Federated International Funds Plc

GAM Fund Management Ltd (a)

FT MANAGED FUNDS SERVICE

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	Bid Price	Offer Price	Yield Gross	City-line
R & H Fund Managers Ltd				
LFM Sterling Fd	£11 45	11 94	–	44455
B F. Offshore Inc 7e Ltd.	112 78	13 32	–	46580
IMC Offshore Fd	110 19	11.04	–	46450
Bolton Bilbes W/W 5/5	£11 04	12.17	–	46581

JERSEY (SIB RECOGNISED)

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		£– 22.7108	22.7387	–	47337
Managed Capital Bd	5		£– 22.5147	22.5476	–	47754
AIB Grofund Currency Fund Limited						
Stg Mngd Currency	5		£–	11.1323	–	44685
Sterling Currency Fd	5		£–	10.6964	–	44683
Ecu Currency	5		Ecu–	11 1403	–	46562
US Dollar Mngd Curr	5		$–	21 6888	–	47336
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (Inc)	5¼	£1.098	1.098	1 174	0 9	44738
Global Income (Inc)	7¼	£0 570	0.577	0 617	2.6	44730
Global Resources	5¼	£0 468	0.468	0.501	0.2	44742
Currency Funds						
Stg Premium Income		£10 02		10 03xd	5 7	47926
Sterling		£–		23 86	5 5	44718
US Dollar		$–		32 61	1 8	44719
Deutschemark		DM–		61 73	7.3	44720
Yen		Y–		4236	1.7	44721
Managed Multicurrency		£–	10 06	16 64	–	44772
Managed Multicurrency		$–	26.12	27.04	–	44773
Bond Funds						
Sterling Bond	3½		£– 0.437	0 457	9 0	44794
Capital House Fund Mgrs (CI) Ltd (0900)H						
PO Box 189, St. Helier Jersey						0534 74689
Capital House International Growth Funds Ltd ♦						
Equities						

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Budget test for £

The UK Budget is expected to make an impact on the currency markets this week although analysts are divided as to how sterling will react, *writes Emma Tucker*.

Many analysts have ruled out another UK base rate cut following comments from the Bank of England that it is concerned not to see sterling drop below its current level of around DM2.39. Nevertheless, if Mr Norman Lamont, the chancellor, announces severe fiscal tightening measures tomorrow, the foreign exchanges may react badly in anticipation of further monetary easing. In the longer term, however, a tight budget would improve prospects for the currency.

With the economic recovery still fragile, it may be that the chancellor confines himself to outlining plans for reducing the public sector borrowing requirement in the medium term.

The other big event for the currency markets this week is Thursday's regular Bundesbank council meeting. The German bank has eased the rates on its 14 and 28-day repo funds, but this is no guarantee that it will announce a cut in its discount and Lombard rates on Thursday.

Mr Julian Jessop of Midland Global Markets believes the Bundesbank will not cut its discount rate until it is satisfied that the Solidarity Pact has been fully agreed.

This will be of little comfort to the French, however, whose currency may suffer speculative pressure ahead of the first round of national assembly elections next weekend. French opposition parties, which are expected to win the vote, face the dilemma of wishing for a substantial cut in interest rates while at the same time maintaining the franc's link to the D-Mark.

The peseta, the krone and the escudo may also come under attack. On Friday there was intense selling of the escudo as the markets reacted with hostility to apparent differences between the finance ministry and the Bank of Portugal.

£ IN NEW YORK

Mar.12	Close	Previous Close
£ Spot	1.4320-1.4330	1.4305 1.4315
1 month	0.35-0.34pm	0.36 0.33pm
3 months	0.95-0.92pm	0.97 0.94pm
12 months	2.65-2.55pm	2.58 2.50pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CHICAGO

OTHER CURRENCIES

Mar 12	£	$
Argentina	1.4310 - 1.4320	0.9985 - 0.9995
Australia	2.0280 - 2.0300	1.4155 - 1.4165
Brazil	30851.0 - 30855.5	21529.7 - 21529.8
Finland	8.6770 - 8.7115	6.0650 - 6.0950
Greece	317.700 - 324.050	222.320 - 226.770
Hong Kong	11.0815 - 11.0935	7.7350 - 7.7360
Iran	2200.00*	1485.00*
Korea(Sth)	1126.00 - 1144.20	790.40 - 796.60
Kuwait	0.44065 - 0.44225	0.30750 - 0.30850
Luxembourg	49.05 - 49.15	34.20 - 34.30
Malaysia	3.7270 - 3.7370	2.6035 - 2.6045
Mexico	4.4680 - 4.4710	3.1180 - 3.1200

CURRENCY RATES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	NatWestminster	6
Allied Trust Bank	6	Duncan Lawrie	6	Nykredit Mortgage Bnk	8.5
AIB Bank	6	Equatorial Bank plc	6	●Rea Brothers	6
●Henry Ansbacher	6	Exeter Bank Limited	7	Roxburghe Bank Ltd	6
B & C Merchant Bank	13	Financial & Gen Bank	7	Royal Bk of Scotland	6
Bank of Baroda	6	●Robert Fleming & Co	6	●Smith & Williamson Secs	6
Banco Bilbao Vizcaya	6	Girobank	6	Standard Chartered	6
Bank of Cyprus	6	●Guinness Mahon	6	TSB	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Unibank plc	6
Bank of India	6	●Hambros Bank	6	●United Bk of Kuwait	6
Bank of Scotland	6	Heritable & Gen Inv Bk.	6	Unity Trust Bank Plc	6
Barclays Bank	6	●Hill Samuel	6	Western Trust	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Whiteaway Laidlaw	6
●Brown Shipley	6	Hongkong & Shanghai.	6	Yorkshire Bank	6
CL Bank Nederland	6	Julian Hodge Bank	6		
Citibank NA	6	●Leopold Joseph & Sons	6		
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk.	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6	Mount Banking	6		

● Members of British Merchant Banking & Securities Houses Association

STOCK INDICES

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

OFFICIAL NOTICE

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

INVESTMENT COMPANIES

MEDIA

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Glencar Expl †‡	7	—	-	-	-	-	-	-
Greenwich Res	13¼	-11.7	-	-	-	-	-	2773
Hemlo Gold C$	24⅝	2.8	020c	-	Dec Jan	6.11	-	-
Ivernia West †‡	43	—	-	-	-	-	-	-
Kenmare	7	—	-	-	-	-	-	1453
Meliinga Res.	19½	11.4	-	-	-	-	-	-
Navan Res †‡	28½	-13.8	-	-	-	-	-	1160
5pc Ln Notes	29	-6.5	-	-	-	-	-	-
Oryx Gold	57	—	-	-	-	-	-	3890
Plateau	39	—	-	-	-	-	-	3407
RTZ	670	-2.8	18.5	1.1	Dec Jul	21.9	-	3880
Vizcaya	4½	12.5	-	-	-	-	-	4193

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Top Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT.

z Dividend includes a special payment: Cover does not apply to special payment. E Auction basis. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1993. K Dividend based on prospectus or other official estimates for 1992-93. L Estimated annualised dividend: cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1993-94.

N Dividend based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion.

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: New City & Comm. Inv. Do Wrts and RPI Db. 2006 (Inv. Trusts), First Natl. Finance 7pc Pf. (Other Financial) and Sisichi Mining (Mines). Deletions: Torchmark (Ins. Life), Butte and Kelle Minerals (Mines), Blackland (Oils) and Buhrmann-Tetterode (Pckg. & Paper).

FT Annual Reports Service

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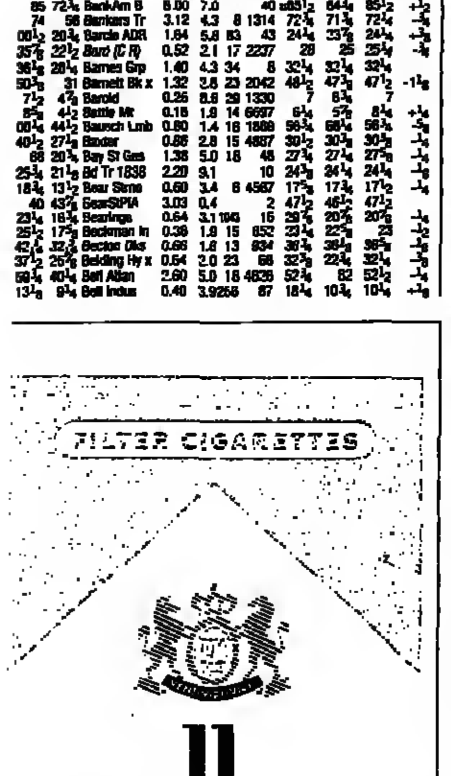
4 pm close March 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992/93 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
15 7/8	10 1/4	AAR Corp	0.48	4.0	22	470	12	11 7/8	12	-1 1/8
26 1/2	16	A L Labs A	0.19	0.8	143	655	23 1/4	22 1/2	23	-1/8
68 3/4	52 5/8	AMP Inc	1.60	2.7	21	1326	59 1/8	58 1/4	59	+1/4
80 1/4	54 1/8	AMR			9	4754	60 1/4	58 1/2	60	-1/2
2 3/8	1 1/8	ARX			19	14	1 3/4	1 3/4	1 3/4	
53 1/2	29 7/8	ASA	2.00	5.4	24	940	37 1/2	36 3/8	37	+1/8
34 1/4	22 5/8	Abbott Lab	0.60	2.3	18	14614	26 5/8	25 7/8	26 5/8	+3/4
13 7/8	10 1/4	Abitibi Pr	0.56	4.5	3	0	11	11	11 1/8	
11 5/8	10 1/8	ACM Gvt In x	0.60	0.7		388	11 1/8	11	11	-1/8
10 1/8	8	ACM GvOpp x	0.79	8.1		53	9 3/4	9 1/2	9 3/4	+1/8
6 3/4	8 1/2	ACM Gvt Sp x	0.79	8.4		226	9 5/8	9 3/8	9 3/8	-1/8
11 3/8	9 7/8	ACM Gvt Se	0.96	6.8		782	11 1/8	11 1/8	11 1/8	
10 7/8	6 5/8	ACM Man x	1.08	9.9		298	u10 7/8	19 5/8	18 7/8	+1/8
12 7/8	8 5/8	ACM Managd x	0.70	8.4		125	9 1/4	9 1/8	8 1/4	+1/8
11 3/4	4 3/4	Acme Cleve	0.40	5.1	16	41	7 7/8	7 3/4	7 7/8	
6 1/4	3 3/4	Acme Elect			675	54	6 7/8	6 5/8	6 3/4	
33 1/4	12 1/8	Acuson			12	572	13 1/8	18	13	
22 1/4	18 1/8	Adams Expr	0.48	2.2	1	35	21 3/8	21 1/4	21 3/8	
52 7/8	29 1/2	Ad Micro	3.00	5.8		221	51 1/2	51	51 3/8	
24 3/8	7 1/2	Ad Micro P	3.00	12.0	0	4759	23 3/4	23 1/4	23 3/4	
9 1/8	4 7/8	Adwest Crp	0.10	2.2	14	87	7 3/8	7 1/4	7 1/4	-1/4
47 5/8	33	Aegon ADR	1.35	2.0	6	216	46 7/8	46 1/2	46 3/4	-1/2
53 3/4	28	Aetna Lf	2.76	5.0	952	1047	48 3/4	47 5/8	47 5/8	-1 1/8
14 1/2	8 3/8	Affil A	0.24	2.0	30	741	12 1/4	11 7/8	12 1/4	+1/8
36 7/8	24	Aflac	0.44	1.3	15	987	35 1/8	34 5/8	34 3/4	-5/8
22 1/8	13	Ahmanson	0.88	4.3	10	3349	20 7/8	20 1/2	20 1/2	-3/8
22 1/2	4	Aileen Inc			22	83	6 3/8	6 3/8	6 3/8	
49 1/2	36 1/2	Air Pr Chm	0.38	1.9	16	1305	45 1/4	44 1/4	44 1/4	-1 3/4
29 3/4	12 1/2	Airbne Frt	0.30	1.3	190	160	23 1/8	22 5/8	22 7/8	-1/8
24 7/8	11 1/4	Airgas Inc			33	76	24	68 5/8	24	-3/8
12 3/8	6 1/8	Airlease	1.80	12.5	16	124	u12 3/8	12 3/8	12 3/4	+3/8
164	99	AlaPw8.16	8.16	6.0		z100	108 1/4	192 1/2	102 1/2	
105 1/2	100 1/4	Alab 8.28L	8.28	7.8		2	164	104	105 1/2	
23 7/8	14 3/4	Alaska Air	0.20	1.2	2	320	16 5/8	16 1/8	16 5/8	+1/8
21 1/4	11 3/4	Albany Int	0.35	2.3	138	20	15 3/8	15 1/4	15 1/4	
32	21 1/4	AlCulvr B	0.60	1.0	10	130	25 7/8	23 5/8	25 3/4	-1/4
25 1/4	19 5/8	AlCulvr A	0.26	1.1	17	85	24	23 3/4	23 3/4	-1/4
55 3/4	36 3/4	Albertsons	0.64	1.2	24	21339	52 3/8	51 3/4	52	-1 5/8
22 3/4	15 3/4	Alcan Alum	0.30	1.6	37	3520	19 1/4	18 7/8	18 7/8	-1/4
43 3/8	33 1/8	Alco Stand	0.26	2.3	17	1555	43 1/4	42 5/8	42 5/8	-3/8
24 5/8	14 5/8	AlexBrown	0.50	2.2	6	322	23 1/8	22 3/8	22 3/4	-1/4
39 7/8	16	Alexr Alex	1.00	3.9	10	415	25 3/4	25 1/2	25 1/2	-1/4
39 1/2	27 1/2	Allegh Lud	0.88	2.3	56	416	20	37 5/8	37 7/8	-1/8
51 7/8	41 1/2	Allegh Pow	3.24	6.5	13	458	50 1/8	49 3/4	30	-3/4
33	22 3/8	Allen Gp	1.75	5.2		27	u33 3/4	68 3/4	33 1/2	+1/2
32 7/8	18 7/8	Allen Cos	0.24	0.7	19	445	u33	32 1/8	68 5/8	-1/2
27 1/4	20 3/8	Allergan	0.40	1.7	14	569	23 1/2	22 7/8	23	-5/8
44 3/4	28 7/8	Allnce Cap	2.51	5.8	16	141	43 3/8	42 1/2	43 1/8	+3/8
12 1/2	0 1/4	Allnce Gl	0.18	1.8		81	10 1/8	0 7/8	10	-1/8
21 1/2	16 1/4	Ald Irish	0.95	4.7	11	12	20 1/8	20 3/8	20 3/8	
68 1/4	40 7/8	Allo Sig	1.18	1.7	17	2484	67	68 1/8	66 7/8	-1/8
11 3/8	9 7/8	AlstMunTr x	0.70	6.9		120	u11 3/8	11 1/8	11 1/4	
9 7/8	7 1/2	AlstIncOp x	0.63	7.3		401	8 3/4	8 1/2	8 5/8	
18 1/2	8 1/8	AlstMnInc x	0.72	7.7		138	9 5/8	9 3/8	9 3/8	
16 1/4	8 7/8	AlstMnInc x	0.00	5.9		21	10 1/8	18	16 1/8	
56 5/8	34 3/4	Alltel Crp	1.60	3.2	20	877	50	49 1/2	49 7/8	+1/2



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NYSE COMPOSITE PRICES

Continued from previous page

NASDAQ NATIONAL MARKET

4 pm close March 12

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
AdvBrands	0.29	18	468	$21\frac{1}{4}$	$20\frac{3}{4}$	$21\frac{1}{4}$	
ADC Corp	0.12	29	283	$16\frac{1}{2}$	$15\frac{1}{2}$	$15\frac{1}{2}$	-1
Acclaim E		26	4985	$16\frac{7}{8}$	$17\frac{7}{8}$	$16\frac{7}{8}$	$-\frac{1}{8}$
Acme Mtls		30	301	17	$15\frac{1}{2}$	16	
Acxiom Cp		29	248	$17\frac{1}{4}$	$16\frac{1}{2}$	$16\frac{3}{4}$	$-\frac{1}{2}$
Adaptech		18	3018	$27\frac{5}{8}$	$27\frac{1}{4}$	$27\frac{5}{8}$	$-\frac{1}{2}$
ADC Tele		21	386	$44\frac{1}{4}$	$43\frac{1}{2}$	$43\frac{1}{2}$	$-\frac{1}{8}$
Addington		142	24	$14\frac{3}{8}$	$14\frac{1}{4}$	$14\frac{1}{4}$	$-\frac{1}{2}$
Adia Serv	0.16	18	312	$19\frac{1}{2}$	$17\frac{1}{2}$	$17\frac{3}{4}$	$+\frac{1}{4}$
Adobe Sys	0.32	24	4096	46	$45\frac{1}{2}$	$45\frac{3}{4}$	$+\frac{1}{2}$
Advance C		12	1253	u$12\frac{1}{2}$	$11\frac{3}{8}$	12	$-\frac{1}{8}$
Adv Logic		40	156	$3\frac{1}{4}$	d3	$3\frac{1}{4}$	
Adv Polym		18	536	$7\frac{7}{8}$	$7\frac{1}{2}$	$7\frac{1}{2}$	$-\frac{1}{8}$
AdvTchLab		26	318	$18\frac{1}{4}$	$17\frac{3}{4}$	$17\frac{3}{4}$	$-\frac{1}{4}$
Advanta x	0.20	17	2151	37	$36\frac{1}{2}$	$36\frac{1}{2}$	$-\frac{1}{2}$
Affymax		20	205	$16\frac{1}{4}$	$15\frac{3}{4}$	$16\frac{1}{4}$	
Agency Re		11	568	8	$7\frac{5}{8}$	$7\frac{7}{8}$	
AgricoEa	0.10	20	549	$4\frac{5}{8}$	$4\frac{1}{4}$	$4\frac{1}{2}$	
Akzo ADR	1.70	6	971	$48\frac{5}{8}$	$39\frac{7}{8}$	40	-1
Aldus Cp		38	3422	18	$17\frac{3}{4}$	$17\frac{1}{8}$	-1
Alex Bald	0.88	14	530	24	$23\frac{1}{2}$	24	$+\frac{1}{2}$
Allegh &W		15	301	u8	$7\frac{1}{8}$	8	
Allen Org	0.48	12	2	$31\frac{1}{2}$	$28\frac{1}{2}$	$29\frac{1}{2}$	
Allen Ph		7	615	$10\frac{1}{4}$	$9\frac{1}{4}$	$9\frac{1}{2}$	
AlliCapit	1.00	18	114	$16\frac{3}{8}$	16	16	$-\frac{1}{4}$
Alid Cap	1.32	13	175	$15\frac{5}{8}$	$14\frac{3}{8}$	$15\frac{3}{8}$	$+\frac{1}{8}$

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AMEX COMPOSITE PRICES

4 pm close March 12

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MONDAY INTERVIEW

Banker battles for reform

Boris Fyodorov, Russia's deputy prime minister for economics, talks to Leyla Boulton

While working in London, Boris Fyodorov used to send advice to the reformist Russian government in the form of "Notes from Afar" – a joking reference to Lenin's commentaries on the revolution which began without him in 1917.

After returning to Russia as deputy prime minister for economics and finance in December, this pugnacious 35-year-old is now at the centre of a battle to save a market revolution begun by others.

Two years ago, he quit as finance minister in protest against Mr Boris Yeltsin's failure to even start reform, and went to work abroad. Now, he says the government will fight on for its policies regardless of last week's bruising defeat by the Congress of People's Deputies of the Russian president, whom he describes as "our main hope and support".

The obstacles are formidable to the government being able to pull the country back from the brink of hyperinflation and pursuing economic restructuring. Its room for manoeuvre is limited by parliament, which wants not only to reduce Mr Yeltsin to a figurehead role but reverse his radical reform course.

Meanwhile, the central bank, no doubt anticipating a change of cabinet, is refusing to adjust monetary policy to the government's economic strategy.

"Either you send sailors to occupy the central bank," Fyodorov joked in an interview, referring to Lenin's use of force to break up Russia's constituent assembly in 1918, "or probably the central bank should assume all responsibility for the economy and run it. Then we shall see how they want to stimulate long-term investment at very low interest rates with inflation at 1,000 per cent."

Joking aside, he said after the congress that it was a "matter of life or death" for the government to get on with its job and for the central bank to co-operate. "Either order is restored to this country, or it will continue to slide further and further into economic crisis."

For this reason, Mr Viktor Chernomyrdin, the prime minister, joined President Yeltsin last week in calling for the central bank to be transferred from parliament to government control.

Fyodorov wants the central bank to agree to fixed limits for the growth of credit to the state and state-owned enterprises, even if it means telling the government there is no more money to finance the budget deficit.

"If the central bank did this, I would applaud them," said Fyodorov, a former banker who was passed over for the central bank's chief job last year but makes no secret of the fact that he could have achieved far more there than in his present role.

"The government would then be forced to think better how to use scarce resources and get into policymaking – like social security and unemployment benefit – instead of trying to deal with kilos of milk and each state-owned enterprise."

Next he wants an end to the subsidising of former Soviet republics through the issue of unbacked Russian central bank credits, which accounted for 25 per cent of credit expansion over the past year. He says these "technical credits" and the continuing deliveries of rouble banknotes by Russia are delaying a decision by other republics on whether to introduce their own currencies, or follow strict conditions to keep the rouble as their currency.

Brought into the government to balance the appointment of an industrialist without an economic background as premier, Fyodorov advocates a "normal" western-style solution to the plight of Russia's impoverished neighbours.

"If loans to these republics are necessary, we should have loan agreements, with terms, collateral and an interest rate," he says, describing the present credits, of printing money for them as a "real disaster".

Attempting to use the good connections he kept while abroad, he has already tried and failed to convince opposition politicians to avoid "at least superfluous disagreements" over economic policy.

Other obstacles he faces include a scarcity of reliable economic data and of skilled professionals within the state bureaucracy. "In the two years I've been away ... the better people have already left [for the private sector]."

Hinting at nostalgia for the bureaucracies he encountered while at the European Bank for Reconstruction and the World Bank, he also bemoans "the dozens of signatures required on the back of any paper", and the time he has to waste meeting people "who have nothing to do with policy".

'I want this to become a normal country'

But ambitious for himself and his country, he has no regrets over trading a comfortable, but comparatively dull, life in the west for what is likely to be the toughest fight of his life.

"I want to see this country changed so it becomes a normal country and I don't have to intervene," he explains.

Fyodorov saw the need for radical change early on. Like many Russian politicians and professionals of his generation, he joined the Soviet Communist party as a means to get ahead. But between completing his doctoral thesis in economics, and working for the party's policymaking central committee, he had already become committed to a pro-market ideology.

In 1990, he helped draft the radical 500-day programme for market reform, which was buried by the Soviet leader, Mikhail Gorbachev. In June 1990, he joined Mr Yeltsin's first administration in the hope that at least small, practical steps could be taken to build a market system in the biggest Soviet republic.

Today, he cannot say whether he will succeed, but he believes that the tumultuous collapse of the Communist party's rule while he was away shows that "anything is possible in Russia".

"Cutting the budget deficit and producing a normal central bank is a much easier task than ousting the Communist party. That I would never have believed possible 10 years ago. But now I can imagine radical reform happening in Russia."

The politician in Fyodorov makes him say he is not counting on foreign help – an unpopular subject in Russia following the failure of the pro-western strategy pursued last year by Mr Yegor Gaidar, the former prime minister. But he suggests that it will be almost impossible for painful reforms to succeed without it.

"We're not Chinese," he says, referring to the success of economic reforms under authoritarian rule in China. "The question is: can we find mechanisms to substitute for dictatorship or occupation forces [such as those which pushed through economic adjustment in Germany and Japan after the second world war]. Foreign aid could be a good substitute."

Asked to prepare Russian proposals for Mr Yeltsin's April 4 meeting with US President Bill Clinton, Fyodorov was in Hong Kong yesterday to brief representatives of the Group of Seven leading industrial nations on how the west might prop up reforms in Russia.

His suggestions include a social fund to help support the unemployed if tight credit policies are instituted, plus a programme to encourage the growth of small businesses to create new jobs. He would like funds to help stabilise the rouble and restructure state-owned industry.

But he says Russia must first institute restrictive financial policies, without which "everything else would be wasted", and to devise mechanisms so that foreign cash is not squandered.

"There is no point in receiving assistance if it is not targeted [at specific problems]. The question is how to receive this money properly, how to organise it – this is very, very difficult and frustrating," he says, talking from his experience of the small flows of western finance trickling into Russia.

Despite his determination to press ahead whatever the west does, western guarantees of support over the coming weeks could play an important role in domestic Russian political battles. But Fyodorov stresses that such money should only become available if and when Russia can keep its side of any bargain. "We have talked far too long. It is now time for action."

PERSONAL FILE

- **1958** Born in Moscow.
- **1980** Doctorate in economics from Moscow Finance Institute.
- **1980-87** Joined Soviet central bank.
- **1987-91** Institute of International Economy.
- **1992** Russia's executive director of World Bank.
- **1992** Appointed deputy prime minister for economics and finance.

A subtle battle of monetary wills

MICHAEL PROWSE on AMERICA

Central bankers and elected politicians have an uneasy relationship in most democracies. The US is no exception. Although the Federal Reserve has historically enjoyed far greater independence than, say, the Bank of England, it is careful to describe itself as independent within, rather than of, government. Many Democrats, moreover, are pressing for reforms to make it more open and accountable.

Mr Donald Riegle, chairman of the Senate banking committee, is one of several senior Democrats sponsoring bills that would increase Congress's leverage over the Fed. Flexing his political muscles last week, he summoned all 12 presidents of the regional Federal Reserve banks to Washington to deliver their first ever testimony en masse before his committee. The presidents were squashed together like a row of sardines and solemnly lectured on the need for "teamwork" in the conduct of monetary and fiscal policy. Following President Bill Clinton's election, the nation was expecting "more accountability from everybody", Mr Riegle declared, before departing early for a more important meeting at the White House.

The hearing was civil, although some of the presidents seemed disconcerted by the lordly demeanour of the senators, who wandered in and out of the hearing room, sometimes leaving their guests with hardly anybody to talk to. The presidents were kept sitting in place for more than four hours, finally being dismissed well after the normal lunch break. But the meeting has set a precedent: if and when inflation starts to rise and the Fed shows signs of tightening policy, the presidents will be hauled in for a public roasting. Even in today's benign economic climate, senators were seeking assurances that presidents would loosen monetary policy if deficit-cutting legislation retards growth.

The presidents are a target because they hold, in rotation, five of the 12 votes on the Federal Open Market Committee (FOMC), the body that sets the level of short-term interest rates (and hence strongly influences the short-run jobless rate). The Fed's board of governors, headed by Mr Alan Greenspan, holds the other seven votes. Yet while the Fed's governors are appointed by the White House and subject to Senate confirmation, the regional presidents are elected by private-sector boards and thus escape direct scrutiny by Congress.

Mr Riegle is co-sponsoring a bill introduced by Mr Paul Sarbanes, a colleague on the banking committee, that would strip the presidents of their right to vote on monetary policy decisions. The legislation is supported by Mr Jim Sasser, chairman of the powerful Senate budget committee, and in the House of Representatives by such heavyweights as Mr Lee Hamilton and Mr David Obey, chairman of the Joint Economic Committee.

A separate bill championed by Mr Henry Gonzalez, chairman of the house banking committee, goes further. It would keep the FOMC but subject regional presidents to the same selection and confirmation process as governors. It would mandate a more diverse FOMC, with positions reserved for women, minorities, community groups and unions. It would tackle excessive secrecy by subjecting the Fed to the Freedom of Information Act and by requiring the timely release of videotapes of FOMC meetings. Finally, it would ask a review body to investigate whether the geographical distribution of the regional Feds (which are clustered in the east) is appropriate given huge population and income shifts in the past 80 years.

The critics have some good points. As private citizens partly responsible for public policy, the regional presidents do have an anomalous role. There are few, if any, parallels abroad: even in Germany, the Land presidents who sit on the Bundesbank's policymaking central bank council are nominated by the Bundesrat (the upper house of parliament) and formally appointed by the president.

And last week the regional presidents – 12 middle-aged white males – inadvertently underlined the lack of diversity at the Fed. There has only ever been one female regional Fed president. No black or Hispanic has ever held the top job, not even at the Atlanta Fed, which covers much of the south.

The Fed is clearly vulnerable to the criticism that it does not promote minorities or women. But it is likely to resist any other changes on the grounds that the present system, even if anachronistic, seems to work quite well. The Democratic critics, for their part, are not likely to push their legislation too hard. With the economy reviving, the Fed is much less unpopular than at the height of the recession. Mr Greenspan, moreover, is a canny opponent, having already put himself in Mr Clinton's good books by warmly endorsing the president's economic plan – a move which is spurring the recovery by helping drive down long bond yields.

But this does not mean the Democratic campaign is not succeeding. The real goal is to intimidate the Fed's policymakers, to make the institution more malleable. The US is at a monetary turning point: depending on decisions in the next few years, the Fed will either firmly establish price stability for the first time since the 1950s or permit short-sighted politicians to embark on yet another inflationary cycle. Tha economic stakes could not be higher.

Wanting it both ways

IAN DAVIDSON on EUROPE

When the French first elected a conservative majority to parliament, in 1986, to serve alongside their sitting Socialist president, they called it "*cohabitation*". Some said it proved the stability and the democratic maturity of the Constitution of the Fifth Republic.

But history rarely repeats itself. Next Sunday's election will again bring the right back to power. But this time the swing of the pendulum will be so fierce that *cohabitation* may test the constitution close to destruction.

The Socialists face the prospect of a humiliating defeat. Its severity will certainly shake the Socialist party to its foundations; the lesson may have equally seismic repercussions on the whole of the French political system; but its most immediate constitutional effect may be to undermine the political authority of the president.

The conservatives are virtually certain to win an overwhelming majority in parliament. The Gaullist RPR party and the UDF centre-right grouping could between them get over 400 seats; the Socialists could drop to as few as 100.

This must lead to frequent tests of will between the government and the president. And they are likely to be more intense than in 1986-88, because the right will have a much bigger majority. Some conservatives talk as if the scale of their prospective majority will give them the power, and even the right, to force President Mitterrand out of office. If so, France would be facing not *cohabitation*, but a major constitutional crisis.

This crisis may not occur. First, the conservative parties are deeply split on policy, and these splits are likely to gape wider as a result of the size of the conservative majority. Second, the leaders of the conservative parties are already locked in near-mortal combat for the presidential election looming two years away, and this struggle will become their top pre-occupation the day after the parliamentary election. So the new government majority may be much weaker than its size would imply.

A third factor could precipitate a constitutional struggle, however. In their election campaigns, Jacques Chirac, the Gaullist leader, and Valéry Giscard d'Estaing, the UDF leader, both included protectionist commitments on agriculture, which could threaten serious conflicts with France's European partners and with the wider world of international trade. They have called for a renegotiation of the European farm policy reform package agreed by the 12 a year ago; both have rejected the farm deal provisionally agreed last year between the European Commission and the previous US administration.

President Mitterrand may not be one of nature's free traders; with high and rising unemployment, he may even believe that some reversion to France's atavistic protectionist reflexes would be politically popular; but his commitment to the closer integration of Europe is absolute. If Chirac and Giscard seek a major battle with the Community over the farm policy, this could provoke a fight with the president; and it is not clear, under the constitution, who would win.

The fundamental question posed by this election, however, is not whether the constitution can handle a political conflict between the president and the National Assembly; it is whether the political system in general can offer answers to the country's problems.

The Socialists will be repudiated on a grand scale: they have been there too long, and they are too contaminated by corruption. But there is no wave of popular enthusiasm for the conservative parties: the prospect is for a large protest vote. The ecologists, the Communists and the extreme right-wing National Front could between them rack up some 35 per cent of the total.

The huge conservative majority will be mainly due to the French voting system, which penalises small parties. A second reason is that part of the Gaullist party has shifted sharply to the right; it is eating into the support of the National Front by openly espousing nationalist and anti-European nostrums. Last year the Maastricht treaty votes revealed deep hostility among a majority of Gaullist members; the party is likely to have even more anti-Community members next time round.

However, the conservative leaders are trying to have it both ways. They are promising a leap back in history, in the hope of appealing to the farmers and the anti-Europeans; Chirac even promises to boycott the Community, in order to block an EC-US farm deal. On the other hand, they insist on France's continued commitment to the strong franc policy, and they promise new initiatives to strengthen monetary links with Germany, coupled with the independence of the Banque de France.

The explanation for this contradiction is simple: the election victory is a poisoned chalice for the conservatives. They do not have an answer to the central political problem, which is unemployment; and they have no alternative economic policy to that of the Socialists. By the time of the 1995 presidential election, they will have been in power long enough to be held responsible, but will not have been able to bring down unemployment.

In addition to the scapegoats from the past (the Socialists), therefore, they must set up external enemies, in Brussels and Washington. You may think it rather difficult to combine a protectionist policy on agriculture with an integrationist policy on money; so does Mr Klaus Kinkel, the German foreign minister. But if you were Bill Clinton, toying with the pros and cons of starting some trade conflicts with the outside world, you would have one reason to hold your hand: the French may take the blame for firing the first shot.

CROSSWORD

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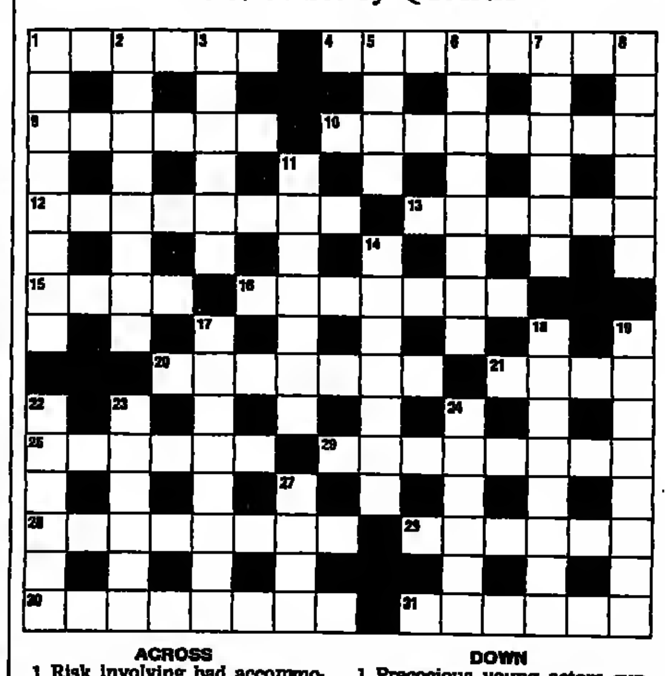

ACROSS

1 Risk involving bad accommodation (6)
4 Site in north-east redeveloped for scientist (8)
9 Sailor girl? She's superior (6)
10 President to replace one name in 4? That'll produce one (8)
12 Golly! Top, perhaps, in many languages (8)
13 Sign in this, giving religion (6)
15 He's among the leaders of catering fraternity (4)
16 Bombards the fool with troubles (7)
20 Church in despised environment devised a plot (7)
21 Firm in the money (4)
25 A detective group in charge is sharp (6)
26 We hear the tree's under the decorative border (8)
28 Aim to chase after a fall: it'll score in rugby (4,4)
29 Bird, tiny, back in the mine (6)
30 Fruit stack in the county (8)
31 Ernest trained to be a novelist (6)

DOWN

1 Precocious young actors support part in variety internally (8)
2 Classified beauty in youth (8)
3 Broadcast eg inn's standard (8)
5 Desire playing area's top to be removed (4)
6 Phil feels upset (I let drop), not relying on others (4,4)
7 Range from former temporary accommodation (6)
8 New weapon is limited (6)
11 Russian cavalryman officer to f-fire (7)
14 Pretend to understand (4,3)
17 Graduate to hang around to fake illness (8)
18 Supporter of roof we'll supply (8)
19 Hue wants enlivening: take the wrapper off (8)
22 Composer from Bath and Ely (6)
23 It's a blow being in the desert (6)
24 Protest aim (6)
27 Pet climbing around lake's rock mineral (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday March 27.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 14.03.93: Pool purchase price £/MWh	Final Prices for Trading on 14.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.04	18.66	18.66
0100	28.10	26.49	28.10
0130	29.63	26.49	28.09
0200	29.63	26.49	28.06
0230	27.44	22.20	23.57
0300	25.48	22.20	23.58
0330	22.52	22.20	23.58
0400	20.81	21.90	23.29
0430	18.03	21.90	23.30
0500	17.54	17.59	17.59
0530	17.52	17.52	17.52
0600	17.52	17.54	17.54
0630	17.52	17.56	17.56
0700	17.52	21.02	22.41
0730	17.52	17.58	17.58
0800	17.49	17.58	17.58
0830	18.64	17.54	17.54
0900	28.10	27.01	28.72
0930	29.54	27.01	26.72
1000	29.54	21.02	22.43
1030	29.54	21.35	22.77
1100	23.65	21.93	23.36
1130	23.65	22.66	24.12
1200	28.36	23.05	24.52
1230	28.66	25.10	26.68
1300	28.36	28.10	26.67
1330	28.36	23.05	24.54
1400	28.10	23.05	24.55
1430	28.10	18.07	18.07
1500	28.10	18.03	18.03
1530	28.10	17.56	17.56
1600	28.10	17.56	17.58
1630	28.10	17.58	17.50
1700	17.54	17.56	17.58
1730	17.59	18.30	18.30
1800	26.68	23.40	24.56
1830	24.46	25.12	29.53
1900	29.21	25.12	26.60
1930	29.21	25.12	28.58
2000	29.21	25.12	28.69
2030	27.05	22.86	24.05
2100	24.46	22.62	24.02
2130	23.49	22.62	24.02
2200	23.49	22.08	23.47
2230	23.07	21.74	23.12
2300	18.04	15.03	18.03
2330	17.64	18.03	18.03
2400	17.64	17.56	17.56

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any [illegible]
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 15.03.93: Pool purchase price £/MWh	Final Prices for Trading on 15.02.93: Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.04	18.30	18.30
0100	31.46	26.84	27.41
0130	31.46	26.95	28.55
0200	31.46	26.95	28.50
0230	25.08	22.35	23.70
0300	23.07	22.35	23.70
0330	22.63	22.35	23.70
0400	22.27	18.40	18.40
0430	17.59	18.26	18.26
0500	17.57	18.03	18.03
0530	17.64	17.59	17.59
0600	17.66	17.54	17.54
0630	19.03	18.04	18.04
0700	18.26	18.22	18.22
0730	23.21	21.99	22.95
0800	24.62	22.39	23.80
0830	24.62	22.07	23.44
0900	26.66	23.46	24.89
0930	29.13	29.15	30.80
1000	29.13	29.15	30.78
1030	23.13	29.16	30.76
1100	26.63	23.46	24.84
1130	25.65	23.46	24.84
1200	25.65	23.32	24.70
1230	25.65	23.46	24.84
1300	24.63	23.45	24.84
1330	23.54	23.45	24.86
1400	23.54	22.63	24.20
1430	23.26	18.79	18.79
1500	19.67	18.79	18.79
1530	19.67	18.67	18.67
1000	19.67	18.67	18.87
1630	23.54	23.45	24.65
1700	23.64	22.84	24.21
1730	23.54	27.11	28.64
1800	23.54	28.31	29.65
1830	26.33	28.31	29.60
1900	28.09	28.26	29.71
1930	28.09	28.25	29.69
2000	28.05	24.95	26.34
2030	26.31	22.39	23.71
2100	23.26	22.07	23.89
2130	23.26	22.07	23.89
2200	23.26	22.07	23.40
2230	23.15	22.07	23.41
2300	19.67	18.08	18.08
2330	17.64	17.59	17.59
2400	17.04	17.04	17.54

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any [illegible]
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